NEW ISSUE – BOOK-ENTRY ONLY

RATINGS:
Moody's: "MIG 1"
Standard & Poor's: "SP-1+"
Fitch: "F1+"
(See "RATINGS" herein.)

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the County, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code. In addition, in the opinion of Bond Counsel to the County, under existing statutes, interest on the Notes is exempt from personal income taxes imposed by the State of California. See "TAX MATTERS" herein.

$700,000,000
COUNTY OF LOS ANGELES
2019-20 Tax and Revenue Anticipation Notes
5.00% Priced to Yield 1.24%
CUSIP[†] No. 544657HW2

Dated: July 1, 2019 **Due: June 30, 2020**

The County of Los Angeles 2019-20 Tax and Revenue Anticipation Notes (the "Notes") will be issued in fully registered form. The Notes, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Notes. Purchases of beneficial interests in the Notes will be made in book-entry only form, in denominations of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interests in the Notes purchased. The Notes will bear interest from their dated date at the fixed rate per annum specified above and will be priced as set forth above. Principal of and interest on the Notes are payable on the maturity date thereof directly to DTC by the Paying Agent. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Notes. See APPENDIX D – "BOOK-ENTRY ONLY SYSTEM." Pursuant to the herein described Financing Certificate, the County may elect on the date of pricing to issue the Notes in multiple series, with different maturity dates, interest rates, yields and CUSIP numbers.

The Notes are being issued to provide moneys to help meet Fiscal Year 2019-20 County General Fund expenditures, including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the County of Los Angeles (the "County"). The Notes are being issued pursuant to a resolution adopted by the Board of Supervisors of the County on May 14, 2019 (the "Resolution") and a Financing Certificate entitled, "Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of County of Los Angeles 2019-20 Tax and Revenue Anticipation Notes" (the "Financing Certificate") to be delivered on the date of issuance of the Notes pursuant to the Resolution. In accordance with California law, the Notes are general obligations of the County, payable only from unrestricted taxes, income, revenue, cash receipts and other moneys to be received by or accrue to the County during the Fiscal Year 2019-20 that will be available for the payment of the Notes. The Notes and the interest thereon are secured by a pledge by the County of certain taxes, income, revenue, cash receipts and other moneys of the County attributable solely to the County's Fiscal Year 2019-20. The County is not authorized, however, to levy or collect any tax for the repayment of the Notes. See "THE NOTES – Security for the Notes" herein.

The Notes are not subject to redemption prior to maturity.

This cover page contains information for quick reference only. It is not a summary of this issue. Investors should read this entire Official Statement to obtain information essential to the making of an informed investment decision.

The Notes will be offered when, as and if issued and received by the Underwriters (herein defined), subject to the approval of legality by Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel. Certain legal matters will be passed upon for the County by Hawkins Delafield & Wood LLP, Los Angeles, California, Disclosure Counsel, and County Counsel, and for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Los Angeles, California. It is expected that the Notes will be available for delivery through the facilities of DTC on or about July 1, 2019.

BofA Merrill Lynch **Morgan Stanley**

Drexel Hamilton, LLC **Mischler Financial Group, Inc.** **Stifel**

Dated: June 5, 2019

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COUNTY OF LOS ANGELES
CALIFORNIA

COUNTY OF LOS ANGELES

2019-20 TAX AND REVENUE ANTICIPATION NOTES

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Treasurer and Tax Collector

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No dealer, broker, salesperson or other person has been authorized by the County or the Underwriters to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the County or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes, by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Notes. Statements contained in this Official Statement which involve estimates, projections, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriters. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COUNTY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE U.S. SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES OFFERED HEREIN AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE NOTES TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

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OFFICIAL STATEMENT

$700,000,000
COUNTY OF LOS ANGELES
2019-20 Tax and Revenue Anticipation Notes

INTRODUCTION

General

The purpose of this Official Statement, which includes the front cover and the attached appendices, is to provide certain information concerning the sale and delivery by the County of Los Angeles, California (the "County") of $700,000,000 in aggregate principal amount of County of Los Angeles 2019-20 Tax and Revenue Anticipation Notes (the "Notes"). The Notes will be issued as fixed rate notes bearing interest at the rate and maturing on the date set forth on the cover page of this Official Statement. Pursuant to the herein described Financing Certificate, the County may elect on the date of pricing to issue the Notes in multiple series, with different maturity dates, interest rates, yields and CUSIP numbers. Issuance of the Notes will provide moneys to help meet Fiscal Year 2019-20 County General Fund expenditures attributable to the General Fund of the County (the "General Fund"), including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the County.

The Notes are authorized by and are being issued in accordance with Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the "Act"), and a resolution adopted by the Board of Supervisors of the County (the "Board of Supervisors") on May 14, 2019 and entitled "Resolution of the Board of Supervisors of the County of Los Angeles, California Providing for the Issuance and Sale of 2019-20 Tax and Revenue Anticipation Notes in an Aggregate Principal Amount Not to Exceed $700,000,000" (the "Resolution"). The Notes will be issued subject to the terms and conditions of a Financing Certificate of the Treasurer and Tax Collector of the County (the "Treasurer") entitled "Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of County of Los Angeles 2019-20 Tax and Revenue Anticipation Notes" (the "Financing Certificate") to be delivered on the date of issuance of the Notes pursuant to the Resolution. Pursuant to California law, the Notes and the interest thereon will be general obligations of the County payable from unrestricted taxes, income, revenue, cash receipts and other moneys to be received by or accrue to the County during the Fiscal Year 2019-20 that will be available for the payment of the Notes as specified in the Resolution and the Financing Certificate. See "THE NOTES – Security for the Notes." The County is not authorized, however, to levy or collect any tax for the repayment of the Notes.

The County

The County is located in the southern coastal portion of the State of California (the "State") and covers 4,083 square miles. The County was established under an act of the State Legislature on February 18, 1850. It is the most populous county in the nation and, in terms of population, is larger than 41 states. The economy of the County is diversified and includes manufacturing, technology, world trade, financial services, motion picture and television production, agriculture and tourism. For certain financial, economic and demographic information with respect to the County, see APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT" and APPENDIX B – "COUNTY OF LOS ANGELES FINANCIAL STATEMENTS."

COUNTY OF LOS ANGELES CASH MANAGEMENT PROGRAM

The County implemented a cash management program in 1977 to finance General Fund cash flow shortages occurring periodically during its fiscal year (July 1 through June 30). In each year since the program's inception, the County has sold either tax anticipation notes or tax and revenue anticipation notes (including commercial paper notes) in annual aggregate amounts up to $1,850,000,000. The Resolution authorizes the County to issue and sell up to $700,000,000 aggregate principal amount of its 2019-20 Tax and Revenue Anticipation Notes.

In addition to the Notes and other obligations which may be issued pursuant to the Act, certain funds held in trust by the County until apportioned to the appropriate agency are available to the County for intrafund borrowings. In addition, while it does not expect to do so, the County may undertake interfund borrowing to fund shortages in the General Fund. See "THE NOTES – Security for the Notes," "– Interfund Borrowing, Intrafund Borrowing and Cash Flow" and APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – Cash Management Program."

THE NOTES

General

The Notes will be issued in the aggregate principal amount of $700,000,000. The Notes will be issued in book-entry only form and, when delivered, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Notes. Purchasers of the Notes will not receive certificates representing their ownership interests in the Notes purchased. See APPENDIX D – "BOOK-ENTRY ONLY SYSTEM." Beneficial ownership interests in the Notes may be transferred only in accordance with the rules and procedures of DTC.

The Notes will be dated July 1, 2019, and will mature as set forth on the cover page of this Official Statement. Pursuant to the Financing Certificate, the County may elect on the date of pricing to issue the Notes in multiple series, with different maturity dates, interest rates, yields and CUSIP numbers. The Notes are not subject to redemption prior to their maturity.

The Notes will be issued in denominations of $5,000 and any integral multiple thereof ("Authorized Denominations") and will bear interest at the rate set forth on the cover page hereof. Interest on the Notes will be payable at their stated maturity date and will be computed on the basis of a 360-day year comprised of twelve 30-day months. Principal and interest will be payable in immediately available funds upon presentation and surrender of the Notes at the office of the Treasurer, who is serving as the Paying Agent with respect to the Notes.

Authority for Issuance

The Notes are being issued under the authority of the Act and pursuant to the Resolution and are subject to the terms and conditions of the Financing Certificate.

Purpose of Issue

Issuance of the Notes will provide moneys to help meet Fiscal Year 2019-20 General Fund expenditures, including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the County. The County expects to invest proceeds of the Notes in the Pooled Surplus Investments Fund of the County Treasury Pool (the "County Treasury Pool") until expended. See

APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – Financial Summary – *County Pooled Surplus Investments*."

Security for the Notes

The Notes will be issued under and pursuant to the Resolution and the Financing Certificate and, subject to the provisions of the Resolution and the Financing Certificate permitting the application thereof for the purposes and conditions set forth therein, will be secured by a pledge of "Pledged Revenues," which means, as of any date, the Unrestricted Revenues required by the Resolution and the Financing Certificate to be deposited in the Repayment Fund for the Notes (the "Repayment Fund") on or prior to that date. "Unrestricted Revenues" means the taxes, income, revenue, cash receipts and other moneys provided for Fiscal Year 2019-20 which will be received by or will accrue to the County during such fiscal year for the General Fund and which are lawfully available for the payment of current expenses and other obligations of the County.

Pursuant to the Resolution and the Financing Certificate, the County pledges to the payment of the Notes and the interest thereon, the first Unrestricted Revenues to be received by the County, in each period specified below, in an amount equal to the amount specified below:

(a) the first $315,000,000 Unrestricted Revenues to be received by the County on and after December 20, 2019;

(b) the first $315,000,000 Unrestricted Revenues to be received by the County on and after January 1, 2020; and

(c) (1) the first $70,000,000 Unrestricted Revenues to be received by the County on and after April 1, 2020, plus (2) an amount equal to the interest that will accrue on the Notes.

As provided in Section 53856 of the Act, the Notes and the interest thereon, shall be a first lien and charge against, and shall be payable from the first moneys received by the County from, the Pledged Revenues. See "THE NOTES – Available Sources of Payment." As security for the payment of the Notes, the County covenants pursuant to the Resolution and the Financing Certificate to deposit or cause to be deposited in the Repayment Fund, in trust for the registered owners of the Notes, the Pledged Revenues to be so deposited, and the Auditor-Controller is directed in the Resolution and the Financing Certificate to deposit the Pledged Revenues in the Repayment Fund. To the extent that any amounts received pursuant to clauses (a) through (c) above are less than the total amount designated for such deposit, then the amount of any deficiency in the Repayment Fund shall be satisfied and made up from any other moneys of the County lawfully available therefor and the Auditor-Controller is directed in the Resolution and the Financing Certificate to deposit additional amounts from any such other moneys of the County into the Repayment Fund. The amounts on deposit in the Repayment Fund are pledged to the payment of the Notes and the interest thereon, and said amounts shall not be used for any other purpose until the Notes and the interest thereon have been paid in full or such payment has been duly provided for; provided, however, that earnings on amounts in the Repayment Fund shall be deposited as and when received into the General Fund.

The Pledged Revenues may be invested in Permitted Investments (herein defined); provided, however, that such Pledged Revenues shall not be invested for a term that exceeds the term of the Notes. Any amounts remaining in the Repayment Fund after repayment of all Notes and the interest thereon shall be transferred to any account in the General Fund as the Treasurer or any of his respective designees may direct. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION AND THE FINANCING CERTIFICATE – Permitted Investments."

As more particularly described under the heading "THE NOTES - Interfund Borrowing, Intrafund Borrowing and Cash Flow," the County may, under certain circumstances, undertake interfund borrowing to fund shortages in the General Fund. While the County does not expect to undertake any such interfund borrowing, Section 6 of Article XVI of the California Constitution requires that any such borrowing be repaid from revenues before any other obligation of the County (including the Notes) is paid from such revenues.

Available Sources of Payment for the Notes

The Notes, in accordance with State law, are general obligations of the County, and to the extent not paid from the Pledged Revenues shall be paid with interest thereon only from any other moneys of the County lawfully available therefor. The County is not authorized to levy or collect any tax for repayment of the Notes. Pursuant to the Act, no obligations, including the Notes, may be issued thereunder if the principal of and interest on such obligations is in excess of 85 percent of the estimated amount of the then-uncollected taxes, income, revenue, cash receipts and other moneys of the County which will be available for the payment of such principal and interest. See "THE NOTES – Security for the Notes."

The County estimates that the total Unrestricted Revenues to be available for payment of the principal of and interest on the Notes, including the Pledged Revenues, will be in excess of $10.0 billion, as indicated in the table below. Except for Pledged Revenues, the Unrestricted Revenues will be expended during the course of Fiscal Year 2019-20, and no assurance can be given that any moneys, other than the Pledged Revenues, will be available to pay the Notes and the interest thereon.

To the extent that the Unrestricted Revenues are insufficient to pay the Notes, the County may access certain borrowable resources in order to satisfy its payment obligations. See the table entitled "County of Los Angeles Borrowable Resources – Fiscal Year 2019-20" on pages 12-13 for a detailed summary of the borrowable resources which the County currently projects to be available for Fiscal Year 2019-20. Such amounts are not pledged for payment of the Notes and the interest thereon. The amount of borrowable resources actually available will depend on a variety of factors, including the final form of the County's 2019-20 Budget, when adopted, the County's actual revenues and expenditures, and actions by the State of California which could materially impact the County's expenses and revenues.

COUNTY OF LOS ANGELES
ESTIMATED GENERAL FUND UNRESTRICTED REVENUES
FISCAL YEAR 2019-20 [(1)]
(In Thousands)

SOURCES:	AMOUNT
Property Taxes	$6,064,874
Other Taxes	207,869
Homeowner's Exemptions	19,244
Motor Vehicle (VLF) Realignment	408,370
Fines, Forfeitures and Penalties	172,034
Licenses, Permits and Franchises	56,698
Charges for Current Services	1,917,749
Investment and Rental Income	231,403
Other Revenue and Tobacco Settlement	1,021,263
Total:	$10,099,504
Less amount pledged for payment of the Notes:[(2)]	(734,903)
Net total in excess of Pledged Revenues:	$ 9,364,601

(1) Reflects revenues set forth in the projected cash flow for Fiscal Year 2019-20. Information subject to change to reflect the impact of any revisions to the 2019-20 State Budget and other matters. See "THE NOTES – State of California Finances" and APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT".

(2) Based on $700,000,000 aggregate principal amount of Notes and the interest thereon.

State of California Finances

General. The County receives a significant portion of its funding from the State. Changes in the financial situation of the State can affect the amount of funding received for numerous County programs, including various health, social services and public safety programs. There can be no assurances that the Fiscal Year 2019-20 State Budget (the "2019-20 State Budget") will not place additional burdens on local governments, including the County, or will not significantly reduce revenues to such local governments. The County cannot reliably predict the ultimate impact of the 2019-20 State Budget on the County's financial outlook. In the event the 2019-20 State Budget includes decreases in County revenues or increases in required County expenditures from the levels assumed by the County, the County will be required to generate additional revenues or curtail programs and/or services to ensure a balanced budget. See APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT."

Governor's Proposed 2019-20 State Budget. The Governor released his proposed fiscal year 2019-20 State budget (the "2019-20 Proposed State Budget") on January 10, 2019. The 2019-20 Proposed State Budget projects that for Fiscal Year 2019-20 total resources available will be approximately $147.9 billion (including a prior year balance of $5.2 billion) and total expenditures will be approximately $144.2 billion, resulting in a year-end surplus of $3.7 billion, of which $1.4 billion would be reserved for the liquidation of encumbrances and $2.3 billion would be deposited in a reserve for economic uncertainties. In addition, it is projected that as of the end of Fiscal Year 2019-20, there will be $900 million on deposit in the Safety Net Reserve and $15.3 billion on deposit in the State's Rainy Day Fund. The 2019-20 Proposed State Budget states that, while the State currently has a strong foundation, growing uncertainty related to the global political and economic climate, federal policies, rising costs, and the length of the current economic expansion require that the budget be prudent.

May Revision to the 2019-20 Proposed State Budget. On May 9, 2019, the Governor released his 2019-20 May Revision to the Fiscal Year 2019-20 Proposed State Budget (the "May Revision"). The

May Revision projects Fiscal Year 2019-20 State General Fund total available resources of $150.1 billion (including a prior year balance of $6.2 billion) and total expenditures of $147.0 billion, resulting in a year-end surplus of $3.0 billion, of which $1.4 billion would be reserved for the liquidation of encumbrances and $1.6 billion would be deposited in a reserve for economic uncertainties. In addition, it is projected that as of the end of Fiscal Year 2019-20, there will be $16.5 billion on deposit in the State's Rainy Day Fund. The May Revision forecast recognizes the risk of slower economic growth but does not predict a recession. The May Revision proposes to address slower economic growth and other economic risks by sunsetting certain program expansions at the end of December 31, 2021, including particular programs where the growth of expenditures continues to exceed long-term revenue growth. See APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – 2019-20 Proposed State Budget" for additional information on the Proposed 2019-20 State Budget and the May Revision.

LAO Overview of the May Revision. Beginning on May 9, 2019, the Legislative Analyst's Office (the "LAO") released a series of analyses of the May Revision entitled "The May Revision: LAO Analyses" (the "LAO Analyses"). Among other things, the LAO Analyses state that the levels of reserves provided for in the May Revision are approaching what the LAO considers to be the advisable minimum. The LAO Analyses recommend that, given the surplus currently available, further building of reserves be considered. The LAO Analyses also state that the May Revision may understate the on-going costs of its policy commitments and that the proposed sunset of certain programs in order to reduce on-going expenditures may present certain programmatic challenges.

Impact of Fiscal Year 2019-20 State Budget on the County. The Proposed 2019-20 State Budget and May Revision, among other things, include proposals to increase funding to counties for In-Home Supportive Services, Medi-Cal administration, homelessness emergency aid and voting systems. The proposed actions are expected to have a positive fiscal impact on the County for Fiscal Year 2019-20. See APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – Budgetary Information – 2019-20 State Budget" attached hereto.

Additional Information. The Governor may release additional details of the proposals or updates to the Governor's Proposed 2019-20 State Budget and May Revision. Information about the State Budget is regularly available at various State-maintained websites. The 2019-20 State Budget may be found at the Department of Finance website, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the LAO at www.lao.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the County or the Underwriters, and the County and the Underwriters take no responsibility for the continued accuracy of the internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

Interfund Borrowing, Intrafund Borrowing and Cash Flow

County General Fund expenditures tend to occur in level amounts throughout the fiscal year. However, revenues are received during the fiscal year by the County in uneven amounts, primarily as a result of the receipt of secured property tax installment payments in December and April and delays in payments from other governmental agencies, the two largest sources of County revenues. Prior to 1977, the County managed its General Fund cash flow deficits by (i) borrowing from specific funds of other governmental entities whose funds are held in the County Treasury Pool (so-called "interfund borrowing") pursuant to Section 6 of Article XVI of the California Constitution and (ii) borrowing from funds held in trust by the County (so-called "intrafund borrowing"). Because General Fund interfund borrowings caused disruptions in the County's management of the General Fund's pooled investments, since 1977 the County has regulated its cash flow by issuing tax anticipation notes and tax and revenue anticipation notes for the General Fund and by using intrafund borrowing. Except for tax and revenue anticipation notes that have not yet matured (being the $700,000,000 in aggregate principal amount of tax and revenue anticipation notes issued in Fiscal Year 2018-19 and due June 28, 2019), all notes issued in connection with the County's cash management program have been repaid on their respective maturity dates. Sufficient revenues have been reserved in a repayment fund therefor, separate from the General Fund, to repay the outstanding 2018-19 tax and revenue anticipation notes due on June 28, 2019. The County does not intend to engage in interfund borrowing for the General Fund nor has it done so since the implementation of the General Fund cash management program in Fiscal Year 1977-78.

The use of intrafund borrowing to cover negative balances in the General Fund is a regular practice. The legality of this practice was decided and affirmed in May 1999 by the California Court of Appeals in the case entitled *Stanley G. Auerbach et al v. Board of Supervisors of the County et al.* The funds available as borrowable resources and reviewed by the court in 1999 consisted primarily of property tax collections and monies in transit. Such funds are held in trust by the County prior to being distributed to the various taxing agencies and governmental units within the County. The General Fund itself is a major recipient of these "monies in transit" and ultimately receives more than 30% of all borrowable resources. The County has chosen not to classify such amounts as General Fund receipts until they are actually moved from trust and into the General Fund. If such monies were classified as General Fund deposits when first received by the County, the cash balance in the General Fund would be materially greater throughout the fiscal year. See the tables entitled Borrowable Resources Average Daily Balances - Fiscal Years 2014-15 through 2018-19" and "County of Los Angeles Borrowable Resources – Fiscal Year 2019-20" for the County's historical and projected borrowable resources for purposes of intrafund borrowing.

The following tables set forth for fiscal years 2014-15 through 2018-19 the month-end cash balances in the General Fund and the average daily balances in the various funds that account for the County's borrowable resources.

GENERAL FUND
MONTH-END CASH BALANCES
FISCAL YEARS 2014-15 THROUGH 2018-19
(In Thousands)[1]

	2014-15	2015-16	2016-17	2017-18	2018-19
July	$1,301,521	$1,901,844	$2,266,486	$2,605,709	$2,076,959
August	994,697	1,626,863	1,529,884	2,140,176	1,846,102
September	563,608	1,254,727	914,444	1,452,843	1,035,639
October	215,745	868,460	900,177	1,585,190	679,155
November	(20,557)	414,234	516,312	632,514	600,424
December	231,055	1,022,814	949,816	1,370,053	910,213
January	600,670	1,299,857	1,543,599	1,660,492	1,140,594
February	552,198	1,409,218	1,583,091	1,853,032	1,023,697
March	335,074	1,080,343	1,247,137	1,311,599	149,330
April	426,895	1,162,078	2,002,202	1,218,507	734,180
May	1,079,020	1,399,968	2,992,964	2,088,027	1,644,430[2]
June	1,653,166	2,162,672	2,508,677	2,358,936	1,290,662[2]

(1) Month-end balances include the effects of short-term note issuance net of deposits to the repayment funds relating to the short-term notes. Monthly periods with negative cash balances are covered by borrowable resources available to the County. See "THE NOTES – Interfund Borrowing, Intrafund Borrowing and Cash Flow" and APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – FINANCIAL SUMMARY."

(2) Estimated.

BORROWABLE RESOURCES
AVERAGE DAILY BALANCES
FISCAL YEARS 2014-15 THROUGH 2018-19
(In Thousands)

	2014-15	2015-16	2016-17	2017-18	2018-19
July	$1,308,097	$1,482,119	$1,552,284	$1,487,736	$1,575,145
August	1,274,023	1,434,015	1,392,220	1,278,233	1,353,750
September	1,284,744	1,437,263	1,441,265	1,344,603	1,374,753
October	1,849,733	1,928,495	1,933,090	1,901,516	1,992,417
November	3,428,812	3,519,705	3,540,138	3,785,931	3,644,347
December	5,869,491	6,016,212	6,515,207	7,113,753	6,828,877
January	3,794,349	4,180,918	4,333,084	5,294,770	4,307,608
February	2,526,797	2,825,906	2,881,611	3,559,226	2,975,671
March	2,587,441	2,968,208	3,013,899	2,915,175	3,152,082
April	5,392,739	5,910,220	6,181,061	5,799,128	5,852,185
May	3,163,075	3,521,695	3,658,424	3,633,761	3,195,421[1]
June	1,472,289	1,503,541	1,574,447	1,727,911	1,426,219[1]

(1) Estimated.

The Auditor-Controller submits to the Board of Supervisors monthly reports that set forth summary cash flow and borrowable resources information, including actual cash flow amounts for the General Fund through the preceding month, projected cash flows for the General Fund through the end of the applicable fiscal year and monthly borrowable resources average daily balances. The monthly cash flow reports are available through the County's Investor Information website at https://ttc.lacounty.gov/investor-information/. Such information is not incorporated herein by this reference.

In connection with the issuance of the Notes, the County has prepared the following detailed cash flow projection for Fiscal Year 2019-20 based on the 2019-20 Recommended Budget adopted by the Board of Supervisors on April 16, 2019 (the "2019-20 Recommended Budget"), and a detailed projection of average daily balances for Fiscal Year 2019-20 for all funds expected to be available as borrowable resources. The projected information relating to cash flow and borrowable resources has been prepared by the County based on historical information, as well as the County's analysis of expected revenues and expenses for Fiscal Year 2019-20. Although the County believes its Fiscal Year 2019-20 projections are reasonable, the cash flow and borrowable resources will depend on a variety of factors, including the final County Budget, actual revenues and expenses, the impact on the County of State budgetary actions, and other factors, and such projections should not be construed as statements of fact. In preparing cash flow forecasts for prior issuances of tax and revenue anticipation notes, the County has historically been conservative in its projections. Since Fiscal Year 1990-91, the County has exceeded its year-end cash projections in 27 of 28 years, and has done so by an average of more than \$500 million. For June 30, 2019, the County projects that its cash balance will be \$583 million greater than the original May 2018 forecast of \$707 million, ending the current fiscal year at a positive \$1,291 million. There can be no assurances that actual results for Fiscal Year 2019-20 will not materially differ from the projections.

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2019-20 PROJECTION
(in thousands of $)

	July 2019	August 2019	September 2019	October 2019	November 2019
BEGINNING BALANCE	$ 1,290,662	$ 1,075,023	$ 719,087	$ 390,276	$ 121,829
RECEIPTS					
Property Taxes	$ 104,839	$ 131,388	$ 0	$ 1,432	$ 57,036
Other Taxes	16,141	19,928	19,742	11,804	19,763
Licenses, Permits & Franchises	3,785	2,600	4,448	3,638	5,988
Fines, Forfeitures & Penalties	31,954	20,215	7,750	7,890	13,993
Investment and Rental Income	20,798	17,333	18,170	15,408	30,273
Motor Vehicle (VLF) Realignment	0	35,895	45,369	36,140	61,201
Sales Taxes - Proposition 172	78,596	66,141	61,557	60,143	77,906
1991 Program Realignment	83,083	55,644	73,708	65,910	94,986
Other Intergovernmental Revenue	133,046	494,706	206,844	158,670	350,781
Charges for Current Services	101,554	196,207	197,434	115,191	132,078
Other Revenue & Tobacco Settlement	131,911	75,871	66,014	71,985	84,736
Transfers & Reimbursements	10,071	2,031	939	5,440	55,487
Hospital Loan Repayment*	0	181,182	581,005	544,196	6,283
Welfare Advances	389,831	358,386	488,845	434,468	415,056
Other Financing Sources/MHSA	98,786	113,738	21,884	18,558	32,564
Intrafund Borrowings	0	0	0	0	0
TRANs Sold	700,000	0	0	0	0
Total Receipts	$ 1,904,395	$ 1,771,264	$ 1,793,710	$ 1,550,872	$ 1,438,131
DISBURSEMENTS					
Welfare Warrants	$ 220,839	$ 218,505	$ 219,505	$ 259,179	$ 211,275
Salaries	536,226	542,861	535,201	530,016	561,727
Employee Benefits	346,746	352,191	334,282	354,019	349,235
Vendor Payments	576,744	460,809	433,133	437,395	432,479
Loans to Hospitals*	211,958	241,194	504,782	149,959	243,750
Hospital Subsidy Payments	161,660	242,745	66,854	0	60,507
Transfer Payments	65,860	68,894	28,762	88,751	10,104
TRANs Pledge Transfer	0	0	0	0	0
Intrafund Repayment	0	0	0	0	0
Total Disbursements	$ 2,120,034	$ 2,127,200	$ 2,122,521	$ 1,819,320	$ 1,869,077
ENDING BALANCE	**$ 1,075,023**	**$ 719,087**	**$ 390,276**	**$ 121,829**	**$ (309,117)**
Borrowable Resources (Avg. Balance)	$ 1,576,685	$ 1,389,311	$ 1,410,820	$ 1,986,819	$ 3,735,847
Total Cash Available	$ 2,651,708	$ 2,108,398	$ 1,801,096	$ 2,108,648	$ 3,426,730

* The net change in the outstanding Hospital Loan Balance is a decrease of $61.83 million and can be calculated by subtracting the "Hospital Loan Repayment" Receipt from the "Loans to Hospitals" Disbursement show n above.

December 2019	January 2020	February 2020	March 2020	April 2020	May 2020	June 2020	2019-20
$ (309,117)	$ 458,728	$ 897,859	$ 776,641	$ 84,394	$ 778,498	$ 1,170,205	
$ 1,468,548	$ 1,441,278	$ 245,138	$ 18,440	$ 1,118,791	$ 1,201,067	$ 276,917	$ 6,064,874
13,715	13,937	31,075	11,674	22,971	9,557	17,562	207,869
3,805	2,576	3,999	7,452	7,413	5,487	5,507	56,698
7,921	8,189	23,070	14,161	8,782	19,641	8,468	172,034
16,296	18,044	21,029	22,459	19,509	14,871	17,212	231,403
31,105	36,301	44,308	33,298	34,286	34,655	15,812	408,370
59,332	60,685	90,126	60,924	52,907	64,929	51,257	784,502
68,927	68,845	101,178	69,991	64,411	88,074	69,050	903,807
168,222	240,924	346,318	181,734	139,355	242,065	197,181	2,859,844
155,433	275,112	139,008	198,511	114,737	106,653	185,830	1,917,749
93,846	92,631	108,815	112,328	101,513	41,072	40,541	1,021,263
11,595	11,098	4,521	6,005	15,918	7,138	18,180	148,422
200,083	179,988	47,414	5,283	573,431	161,373	265,797	2,746,034
564,151	374,863	419,283	525,609	333,496	243,545	276,597	4,824,131
57,973	32,343	34,620	41,217	46,952	31,264	19,264	549,164
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	700,000
$ 2,920,952	$ 2,856,813	$ 1,659,904	$ 1,309,086	$ 2,654,472	$ 2,271,388	$ 1,465,175	$ 23,596,162
$ 215,447	$ 220,044	$ 256,413	$ 240,342	$ 234,242	$ 248,245	$ 271,442	$ 2,815,479
579,879	634,435	560,224	552,926	573,533	560,717	564,223	6,731,969
355,970	401,107	353,466	381,327	356,709	358,514	350,098	4,293,665
440,326	453,692	468,758	460,376	479,464	485,789	495,916	5,624,881
198,767	222,164	129,259	331,377	122,250	162,490	166,257	2,684,207
0	82,674	0	0	0	0	0	614,440
47,719	88,564	13,002	34,984	124,170	63,927	5,940	640,677
315,000	315,000	0	0	70,000	0	0	700,000
0	0	0	0	0	0	0	0
$ 2,153,107	$ 2,417,681	$ 1,781,122	$ 2,001,333	$ 1,960,368	$ 1,879,682	$ 1,853,875	$ 24,105,318
$ 458,728	**$ 897,859**	**$ 776,641**	**$ 84,394**	**$ 778,498**	**$ 1,170,205**	**$ 781,506**	
$ 7,023,050	$ 4,433,858	$ 3,068,714	$ 3,250,183	$ 6,005,021	$ 3,296,283	$ 1,474,004	
$ 7,481,778	$ 5,331,717	$ 3,845,355	$ 3,334,577	$ 6,783,519	$ 4,466,488	$ 2,255,510	

COUNTY OF LOS ANGELES BORROWABLE RESOURCES
AVERAGE DAILY BALANCES: FISCAL YEAR 2019-20 FORECAST
FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of $)

	July 2019	August 2019	September 2019	October 2019	November 2019	December 2019
PROPERTY TAX GROUP						
Tax Collector Trust Fund	$ 98,698	$ 60,071	$ 45,367	$ 538,997	$ 1,911,783	$ 2,995,604
Auditor Unapportioned Property Tax	441,002	113,044	136,656	188,874	588,568	2,446,074
Unsecured Property Tax	176,932	180,161	135,167	175,282	172,908	76,785
Miscellaneous Fees & Taxes	6,464	6,449	6,451	6,434	6,501	6,418
State Redemption Fund	26,912	41,598	42,230	49,341	42,300	25,288
Education Revenue Augmentation	40,627	122,789	42,196	742	19,128	512,841
State Reimbursement Fund	0	0	0	0	442	9,263
Sales Tax Replacement Fund	0	0	0	0	0	0
Vehicle License Fee Replacement Fund	0	0	147,331	189,273	189,996	202,736
Property Tax Rebate Fund	7,495	12,346	22,784	18,622	30,583	12,565
Utility User Tax Trust Fund	12,873	4,607	4,924	9,897	13,334	19,350
Subtotal	$ 811,003	$ 541,065	$ 583,106	$ 1,177,462	$ 2,975,543	$ 6,306,924
VARIOUS TRUST GROUP						
Departmental Trust Fund	$ 539,990	$ 635,148	$ 606,854	592,162	$ 549,122	$ 483,254
Payroll Revolving Fund	58,183	39,810	46,472	42,379	36,335	57,898
Asset Development Fund	55,192	61,088	61,473	61,489	61,514	61,529
Productivity Investment Fund	8,031	7,901	7,883	7,682	7,520	7,322
Motor Vehicle Capital Outlays	612	709	734	734	734	693
Civic Center Parking	160	150	248	220	177	38
Reporters Salary Fund	553	374	653	546	480	234
Cable TV Franchise Fund	13,902	13,754	13,738	14,275	14,211	14,482
Megaflex Long-Term Disability	12,104	11,984	11,951	11,801	11,799	11,774
Megaflex Long-Term Disability & Health	12,125	12,199	12,294	12,378	12,464	12,568
Megaflex Short-Term Disability	59,830	60,129	60,414	60,691	60,948	61,334
Subtotal	$ 760,682	$ 843,246	$ 822,714	$ 804,357	$ 755,304	$ 711,126
HOSPITAL GROUP						
Harbor-UCLA Medical Center	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
Olive View-UCLA Medical Center	1,000	1,000	1,000	1,000	1,000	1,000
LAC+USC Medical Center	1,000	1,000	1,000	1,000	1,000	1,000
MLK Ambulatory Care Center	1,000	1,000	1,000	1,000	1,000	1,000
Rancho Los Amigos Rehab Center	1,000	1,000	1,000	1,000	1,000	1,000
LAC+USC Medical Center Equipment	0	0	0	0	0	0
Subtotal	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000
GRAND TOTAL	**$ 1,576,685**	**$ 1,389,311**	**$ 1,410,820**	**$ 1,986,819**	**$ 3,735,847**	**$ 7,023,050**

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2020	February 2020	March 2020	April 2020	May 2020	June 2020	
						PROPERTY TAX GROUP
$ 1,116,050	$ 713,134	$ 976,216	$ 2,353,783	$ 865,296	$ 158,951	Tax Collector Trust Fund
1,371,478	973,361	732,724	1,661,580	710,473	192,656	Auditor Unapportioned Property Tax
74,747	71,942	65,691	50,595	97,460	132,046	Unsecured Property Tax
6,470	6,508	6,446	6,491	9,474	9,134	Miscellaneous Fees & Taxes
22,635	23,784	23,090	22,366	35,686	26,026	State Redemption Fund
474,150	224,552	36,159	388,153	81,995	173,640	Education Revenue Augmentation
17,672	1,121	1,121	2,153	30,147	11,599	State Reimbursement Fund
0	0	0	0	83,788	0	Sales Tax Replacement Fund
613,166	364,886	681,165	723,648	591,647	0	Vehicle License Fee Replacement Fund
24,367	15,616	12,018	19,776	0	0	Property Tax Rebate Fund
23,105	4,380	9,204	1,587	7,479	11,745	Utility User Tax Trust Fund
$ 3,743,840	$ 2,399,284	$ 2,543,834	$ 5,230,132	$ 2,513,445	$ 715,797	Subtotal
						VARIOUS TRUST GROUP
$ 471,647	$ 456,422	$ 484,638	$ 520,153	$ 572,458	$ 558,924	Departmental Trust Fund
42,457	37,092	44,712	74,705	63,954	53,107	Payroll Revolving Fund
61,696	61,971	62,180	62,267	45,320	45,320	Asset Development Fund
7,069	6,804	6,748	8,857	6,180	6,180	Productivity Investment Fund
666	645	621	621	6,180	6,180	Motor Vehicle Capital Outlays
277	218	102	297	246	147	Civic Center Parking
555	365	381	531	576	425	Reporters Salary Fund
14,530	14,365	14,772	14,589	13,390	13,390	Cable TV Franchise Fund
11,797	11,853	11,800	11,697	15,340	15,340	Megaflex Long-Term Disability
12,625	12,630	12,722	12,799	9,585	9,585	Megaflex Long-Term Disability & Health
61,699	62,065	62,673	63,373	44,609	44,609	Megaflex Short-Term Disability
$ 685,018	$ 664,430	$ 701,349	$ 769,889	$ 777,838	$ 753,207	Subtotal
						HOSPITAL GROUP
$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	Harbor-UCLA Medical Center
1,000	1,000	1,000	1,000	1,000	1,000	Olive View-UCLA Medical Center
1,000	1,000	1,000	1,000	1,000	1,000	LAC + USC Medical Center
1,000	1,000	1,000	1,000	1,000	1,000	MLK Ambulatory Care Center
1,000	1,000	1,000	1,000	1,000	1,000	Rancho Los Amigos Rehab Center
0	0	0	0	0	0	LAC+USC Medical Center Equipment
$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	Subtotal
$ 4,433,858	**$ 3,068,714**	**$ 3,250,183**	**$ 6,005,021**	**$ 3,296,283**	**$ 1,474,004**	**GRAND TOTAL**

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION AND THE FINANCING CERTIFICATE

The following is a summary of certain provisions of the Resolution and the Financing Certificate. This summary is not to be considered a full statement of the terms of the Resolution or the Financing Certificate and accordingly is qualified by reference thereto and is subject to the full text thereof. Except as otherwise defined herein, capitalized terms used in this Official Statement without definition have the respective meanings set forth in the Financing Certificate.

Resolution to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Notes to be issued under the Resolution by those who shall hold the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the County and the Holders from time to time of the Notes. The pledge made in the Resolution and the Financing Certificate and the covenants and agreements set forth therein to be performed by and on behalf of the County shall be for the equal benefit, protection and security of the Holders of any and all of the Notes all of which shall be of equal rank without preference, priority or distinction of any of the Notes over any other thereof, except as expressly provided in or permitted by the Financing Certificate.

Covenants of the County

The County covenants under the Financing Certificate that it will not issue any notes, or otherwise incur any indebtedness, pursuant to the Act with respect to its Fiscal Year 2019-20 in an amount which, when added to the interest payable thereon, shall exceed 85 percent of the estimated amount of the then-uncollected taxes, income, revenue, cash receipts, and other moneys of the County which will be available for the payment of said notes or other indebtedness and the interest thereon; provided, however, that to the extent that any principal of or interest on such notes or other indebtedness is secured by a pledge of the amount in any inactive or term deposit of the County, the term of which will terminate during said fiscal year, such principal and interest may be disregarded in computing said limit.

In order to maintain the exclusion from gross income for federal income tax purposes of interest on the Notes, the County covenants to comply with each applicable requirement of the Code (herein defined) necessary to maintain the exclusion of interest on the Notes from gross income for federal income tax purposes. In furtherance of the foregoing tax covenant, the County agrees to comply with the provisions of the Tax Certificate. The County shall make all calculations as provided in the Tax Certificate relating to any rebate of excess investment earnings on the Notes proceeds due to the United States Department of Treasury in a reasonable and prudent fashion and shall segregate and set aside the amounts such calculations indicate may be required to be paid to the United States Department of Treasury.

Notwithstanding any other provision of the Financing Certificate to the contrary, upon the County's failure to observe or refusal to comply with the foregoing tax covenants, the Holders, and any adversely affected former Holders, shall be entitled to the rights and remedies provided to Holders under the Financing Certificate.

Negotiability, Transfer and Exchange of the Notes

The Holders of the Notes evidenced by registered certificates may transfer or exchange such Notes upon the books maintained by the Note Registrar, in accordance with the Financing Certificate.

The County and the Paying Agent may deem and treat the Holder of any Note as the absolute owner of such Note, regardless of whether such Note is overdue, for the purpose of receiving payment thereof and for all other purposes, and all such payments so made to any such Holder or upon his or her order will satisfy and discharge the liability upon such Note to the extent of the sum or sums so paid, and neither the County nor the Paying Agent will be affected by any notice to the contrary. Cede & Co., as nominee of DTC, or such other nominee of DTC or any successor securities depository or the nominee thereof, will be the Holder of the Notes as long as the beneficial ownership of the Notes is held in book-entry form in the records of such securities depository. See APPENDIX D – "BOOK-ENTRY ONLY SYSTEM."

Permitted Investments

Moneys on deposit in the Repayment Fund will be retained therein until applied to the payment of the principal of and interest on the Notes. Such amounts may not be used for any other purpose, although they may be invested in Permitted Investments, as defined in the Financing Certificate ("Permitted Investments"), as more fully described below:

(1) Obligations of, or guaranteed as to principal and interest by, the United States of America, or by any agency or instrumentality thereof when such obligations are backed by the full faith and credit of the United States of America.

(2) Obligations of instrumentalities or agencies of the United States of America limited to the following: (a) the Federal Home Loan Bank Board; (b) the Federal Home Loan Mortgage Corporation; (c) the Federal National Mortgage Association; (d) Federal Farm Credit Bank; (e) Government National Mortgage Association; (f) Student Loan Marketing Association; and (g) guaranteed portions of Small Business Administration notes.

(3) Commercial Paper having original maturities of not more than 270 days, payable in the United States of America and issued by corporations that are organized and operating in the United States with total assets in excess of $500 million and having "A" or better rating for the issuer's long-term debt as provided by Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's, a Standard & Poor's Financial Services LLC business ("S&P"), or Fitch Ratings ("Fitch") and "P-1", "A-1", "F1" or better rating for the issuer's short-term debt, as provided by Moody's, S&P, or Fitch, respectively. The maximum total par value may be up to 15% of the total amount held by the Treasurer in accordance with the Financing Certificate.

(4) The County Treasury Pool.

(5) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as "bankers' acceptances," having original maturities of not more than 180 days, with a maximum par value of 40% of the total amount held by the Treasurer in accordance with the Financing Certificate. The institution must have a minimum short-term debt rating of "A-1," "P-1," or "F1" by S&P, Moody's, or Fitch, respectively, and a long-term debt rating of no less than "A" by S&P, Moody's or Fitch.

(6) Shares of beneficial interest issued by diversified management companies, known as money market funds, registered with the U.S. Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 *et seq.*) and whose fund has received the highest possible rating from S&P and at least one other nationally recognized securities rating agency. The maximum par value may be up to 15% of the total amount held by the Treasurer in accordance with the Financing Certificate.

(7) Negotiable certificates of deposit issued by a nationally- or state-chartered bank or a state or federal association (as defined by Section 5102 of the California Financial Code) or by a state-licensed branch of a foreign bank, in each case which has, or which is a subsidiary of a parent company which has, obligations outstanding having a rating in the "A" category or better from S&P, Moody's or Fitch. The maximum par value may be up to 30% of the total amount held by the Treasurer in accordance with the Financing Certificate.

(8) Repurchase agreements which have a maximum maturity of 30 days and are fully secured at or greater than 102% of the market value plus accrued interest by obligations of the United States Government, its agencies and instrumentalities, in accordance with number (2) above. The maximum par value per issuer may not exceed $250,000,000 and the maximum total par value for all such agreements with funds held by the Treasurer under the Financing Certificate may not exceed $500,000,000.

(9) Investment agreements and guaranteed investment contracts with issuers having a long-term debt rating of at least "AA" or "Aa2" by S&P or Moody's, respectively.

Notwithstanding anything within the definition of Permitted Investments to the contrary, so long as S&P maintains a rating on the Notes, to the extent Pledged Revenues are invested in Permitted Investments described in paragraphs (3), (5), (7) or (9) above, such investments must be rated by S&P at the respective S&P ratings described therein.

Repayment Fund Held by the Treasurer

Under the Resolution and the Financing Certificate, the County shall transfer to the Treasurer for deposit in the Repayment Fund the Pledged Revenues as set forth in the Financing Certificate. The Pledged Revenues may be invested in Permitted Investments; provided, however, that such Pledged Revenues shall not be invested for a term that exceeds the term of the Notes. The Pledged Revenues shall be used to pay the Notes and the interest thereon when the same shall become due and payable and may not be used for any other purpose; provided that earnings on amounts in the Repayment Fund shall be deposited as and when received into the General Fund. Any amounts remaining in the Repayment Fund after repayment of all the Notes and the interest thereon shall be transferred to any account in the General Fund as the Treasurer or any designee may direct.

Supplemental Financing Certificate and Supplemental Resolution

The Financing Certificate and certain of the rights and obligations of the County and of the Holders of the Notes may be amended or supplemented pursuant to a supplemental financing certificate executed by the Treasurer in accordance with the provisions of the Financing Certificate (a "Supplemental Financing Certificate"), with the written consent of the Holders of at least a majority in principal amount of the Notes outstanding at the time such consent is given; provided, however, that if such supplement or amendment will, by its terms, not take effect so long as any particular Notes remain Outstanding, the consent of the Holders of such Notes will not be required. No such supplement or amendment shall (i) permit a change in the terms of maturity of the principal of any Notes or of the interest rate thereon or a reduction in the principal amount thereof without the consent of all of the Holders of the affected Notes, or (ii) change the dates or amounts of the pledges set forth in the Financing Certificate with respect to the Notes, as set forth under "THE NOTES - Security for the Notes," without the consent of all of the Holders of the affected Notes, or (iii) reduce the percentage of the Holders required to approve such Supplemental Financing Certificate without the consent of all of the Holders of the affected Notes, or (iv) change or modify any of the rights or obligations of the Paying Agent without its written consent thereto.

Additionally, a resolution amending the Resolution (a "Supplemental Resolution") may be adopted, or a Supplemental Financing Certificate may be executed, without the consent of the Holders, (i) to add to the covenants and agreements to be observed by the County that are not contrary to or inconsistent with the Resolution or the Financing Certificate, (ii) to add to the limitations and restrictions to be observed by the County that are not contrary to or inconsistent with the Resolution or the Financing Certificate, (iii) to confirm as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by the Resolution or the Financing Certificate, of any moneys, securities or funds or to establish any additional funds or accounts to be held under the Resolution or the Financing Certificate, (iv) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution or the Financing Certificate, (v) to supplement or amend the Resolution or the Financing Certificate as required to obtain a rating for the Notes, or any portion thereof, from any rating agency, provided that the County obtains an opinion of Bond Counsel to the effect that such Supplemental Resolution or Supplemental Financing Certificate does not adversely affect the interests of the Holders or (vi) to supplement or amend the Resolution or Financing Certificate in any other respect, provided that the County obtains an opinion of Bond Counsel to the effect that such Supplemental Resolution or Supplemental Financing Certificate does not adversely affect the interests of the Holders.

Events of Default

Any one or more of the following will constitute an "Event of Default" under the Resolution and the Financing Certificate:

(1) the County fails to make any payment of the principal of or interest on any Notes when and as the same become due and payable;

(2) the County fails to perform or observe any other of the covenants, agreements or conditions required to be performed or observed by the County pursuant to the Resolution, the Financing Certificate or the Notes and such default shall continue for a period of 60 days after written notice thereof to the County by the Holders of not less than 10 percent in aggregate principal amount of the outstanding Notes; or

(3) the County shall file petition for relief under the federal bankruptcy laws.

Whenever any Event of Default shall have happened and shall be continuing, the Holders of the Notes, and any adversely affected former Holders of the Notes, and their legal representatives, will be entitled to take any and all actions available at law or in equity to enforce the performance of the covenants in the Financing Certificate and in the Act. Nothing in the Financing Certificate will preclude an individual Holder from enforcing such Holder's rights to payment of principal of and interest on such Holder's Notes.

Payment of Unclaimed Moneys to County

Anything in the Financing Certificate to the contrary notwithstanding, any moneys held in trust for the payment and discharge of any of the Notes that remain unclaimed for a period of one year after the date when such Notes have become due and payable, if such moneys were so held at such date, or for one year after the date of deposit of such moneys if deposited after the date when such Notes became due and payable, will be repaid to the County, as its absolute property and free from trust, and the Holders may thereafter look only to the County for the payment of such Notes from legally available funds; provided, however, that before any such payment is made to the County, the County will create (and thereafter maintain until payment of all of the Notes) a record of the amount so repaid, and the County will cause to be published at least twice, at any interval of not less than seven days between publications, in *The Bond Buyer* and two other newspapers customarily published at least once a day for at least five days (other than legal holidays) in each calendar week, printed in the English language and of general circulation, in Los Angeles, California and in the Borough of Manhattan, City and State of New York, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date may be not less than thirty days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the County.

RISK FACTORS

The following factors, along with all other information in this Official Statement, must be considered by potential investors in evaluating the risks inherent in the purchase of the Notes. The following description is not intended to be an exhaustive list of the risks associated with the purchase of the Notes and the order of presentation below does not necessarily reflect the relative importance of the various risks.

The County's Fiscal Year 2019-20 Recommended Budget

The County's Fiscal Year 2019-20 Recommended Budget is based on a number of assumptions regarding both revenues and expenditures. Based on current trends and a survey of local economic forecasts, the County has assumed a 2.0% growth factor in its overall statewide sales tax projection for the 2019-20 Recommended Budget. Changes in various federal programs and legislation could have a material effect on the County's budget. The County may make adjustments throughout the year as necessary to maintain a balanced budget, as required by the County Charter. See APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – Budgetary Information" attached hereto.

Financial Conditions in Local, State and National Economies

The financial condition of the County can be significantly affected by generally prevailing financial conditions in the local, State and national economies. The County receives a significant portion of its funding from the State. Decreases in the State's General Fund revenues may significantly affect appropriations made by the State to public agencies, including the County. There can be no assurances that the occurrence of a recession or otherwise declining conditions in the local, State or national economies will not materially adversely affect the financial condition of the County in the future. See also "THE NOTES – State of California Finances" herein and APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – Budgetary Information – Federal and State Funding" attached hereto.

Cybersecurity

The County relies on a complex technology environment to conduct its operations. As a recipient and provider of personal, private and sensitive information, the County and its departments and offices face multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computers and other sensitive digital networks and systems. In May 2016, a phishing email attack occurred in which the perpetrator accessed usernames and passwords of County employees and caused a breach of information for over 750,000 individuals. See APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT – Litigation – Other Cases." The County's District Attorney Cyber Investigative Response Team found the perpetrator and criminal charges were filed. After the incident, the County created the Office of Privacy within the Chief Executive Office, Risk Management Branch. In collaboration with the Chief Information Security Officer, the Office of Privacy oversees and coordinates the direction, privacy, security, and policies of the County that relate to personally identifiable and protected health information. The Office of Privacy works with other county offices and officials, including information security and law enforcement personnel and data experts, to protect confidential information from unauthorized disclosures and to comply with Federal and State privacy and information technology security regulations and best practices.

In November 2018, the Board adopted revised Information Technology and Security Board Policies which set forth directives on best practices for use of the County's computer systems. These policies include an Information Security Policy, an Information Classification Policy, a Use of County Information Assets Policy, an Information Security Incident Reporting and Response Policy and an Information Technology Audit and Risk Assessment Policy. The County uses a risk-based approach to manage cybersecurity threats, which allows the County to evaluate the vulnerabilities of its systems and the threats posed thereto so that the County may timely react to and address each situation. The County also conducts cybersecurity awareness training as a component of its cyber liability insurance policy.

No assurances can be given that the County's security and operational control measures will be successful in guarding against any and each cyber threat and attack. The results of any attack on the County's computer and information technology systems could impact its operations and damage the County's digital networks and systems, and the costs of remedying any such damage could be substantial.

Enforceability of Remedies

The rights of the owners of the Notes are subject to the limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the owners of the Notes, and the obligations incurred by the County, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against counties in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Notes to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

On January 24, 1996, the United States Bankruptcy Court for the Central District of California held in the case of *County of Orange v. Merrill Lynch* that a State statute providing for a priority of distribution of property held in trust conflicted with, and was preempted by, federal bankruptcy law. In that case, the court addressed the priority of the disposition of moneys held in a county investment pool upon bankruptcy of the county, but was not required to directly address the State statute that provides for the lien in favor of holders of tax and revenue anticipation notes. The County expects to be in possession of certain Unrestricted Revenues that are pledged and will be set aside to repay Notes and these funds will be held a segregated account to be established and maintained by the County for the benefit of the owners of the Notes. The amounts in such segregated account will be invested for a period of time in the County Treasury Pool. In the event of a petition for the adjustment of County debts under Chapter 9 of the Bankruptcy Code, a court might hold that the owners of the Notes do not have a valid and prior lien on the such pledged amounts where such amounts are deposited in the County Treasury Pool and may not provide the Note owners with a priority interest in such amounts. Such pledged amounts may not be available for payment of principal of and interest on the Notes unless the owners could "trace" the funds from the Repayment Fund that have been deposited in the County Treasury Pool. There can be no assurance that the Owners could successfully so "trace" the pledged amounts.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the County, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the County in connection with the Notes, and Bond Counsel has assumed compliance by the County with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the County, under existing statutes, interest on the Notes is exempt from personal income taxes of the State of California and its political subdivisions.

Bond Counsel expresses no opinion as to any other federal, state or local tax consequences arising with respect to the Notes, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Notes.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Notes, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Notes to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The County has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Notes. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Note. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Notes.

Prospective owners of the Notes should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Notes may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Bond Premium

In general, if an owner acquires a note for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the note after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that note (a "Premium Note"). In general, under Section 171 of the Code, an owner of a Premium Note must amortize the bond premium over the remaining term of the Premium Note, based on the owner's yield over the remaining term of the Premium Note determined based on constant yield principles (in certain cases involving a Premium Note callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such note). An owner of a Premium Note must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Note, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Note may realize a taxable gain upon disposition of the Premium Note even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Notes should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Notes.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Notes. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Note through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Notes from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Notes under federal or state law or otherwise prevent beneficial owners of the Notes from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Notes.

Prospective purchasers of the Notes should consult their own tax advisors regarding the foregoing matters.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters related to the authorization, issuance, sale and delivery of the Notes are subject to the approval of Hawkins Delafield & Wood LLP, Bond Counsel. The approving opinion of Bond Counsel will be delivered with the Notes in substantially the form appearing in APPENDIX C hereto. Bond Counsel has undertaken no responsibility for the accuracy, completeness or fairness of this Official Statement.

Certain legal matters will be passed upon for the County by Hawkins Delafield & Wood LLP, Los Angeles, California, Disclosure Counsel, and County Counsel, and for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Los Angeles, California.

LEGALITY FOR INVESTMENT IN CALIFORNIA

Under the California Financial Code, the Notes are legal investments for commercial banks in the State, and under the California Government Code, the Notes are eligible to secure deposits of public moneys in the State.

FINANCIAL STATEMENTS

The financial statements of the County for the Fiscal Year ended June 30, 2018, pertinent sections of which are included in Appendix B to this Official Statement, have been audited by Macias Gini & O'Connell LLP (the "Independent Auditor"), certified public accountants, as stated in their report appearing in Appendix B. The Independent Auditor has not consented to the inclusion of its report as Appendix B and has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made herein, and no opinion is expressed by the Independent Auditor with respect to any event subsequent to its report dated December 13, 2018.

RATINGS

Moody's, S&P and Fitch have given the Notes the ratings of "MIG 1," "SP-1+" and "F1+" respectively. Certain information was supplied by the County to the rating agencies to be considered in evaluating the Notes. Such ratings reflect only the views of the rating agencies, and are not a recommendation to buy, sell or hold any of the Notes. Any explanation of the significance of each such rating should be obtained from the rating agency furnishing the same at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007; Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041; Fitch Ratings, 33 Whitehall Street, New York, New York 10004. There can be no assurance that any such rating will remain in effect for any given period of time or that any such rating will not be revised downward or withdrawn entirely by the rating agency furnishing the same if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of ratings may have an adverse effect on the market price of the affected Notes.

LITIGATION

To the best knowledge of the County, no litigation is pending or threatened concerning the validity of the Notes, and an opinion of the County Counsel to that effect will be furnished at the time of issuance of the Notes.

The County is routinely a party to various lawsuits and administrative proceedings. Summaries of certain pending legal proceedings or potential contingent liabilities are set forth in Appendix A attached hereto. See APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT." In the opinion of the County Counsel, the outcome of the presently pending suits and claims will not materially impair the County's ability to repay the Notes. See Note 18 of "Notes to the Basic Financial Statements" included in APPENDIX B sets forth this liability as of June 30, 2018.

MUNICIPAL ADVISOR

Omnicap Group LLC has served as Municipal Advisor to the County in connection with the issuance of the Notes. The Municipal Advisor has not been engaged, nor has it undertaken, to make an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained herein.

UNDERWRITING

The Notes are being purchased for reoffering by BofA Securities, Inc., as representative of itself, Morgan Stanley & Co. LLC, Drexel Hamilton, LLC, Mischler Financial Group, Inc. and Stifel, Nicolaus & Company, Inc. (collectively, the "Underwriters"). The Underwriters have agreed to purchase the Notes at a purchase price of $725,600,742.43 (representing the principal amount of the Notes, plus original issue premium of $25,921,000.00, less Underwriters' discount of $320,257.57). The Contract of Purchase (the "Contract of Purchase") provides that the Underwriters will purchase all of the Notes if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Contract of Purchase.

The Underwriters may offer and sell the Notes to certain dealers and others at prices lower than the public offering price stated on the cover page hereof. The offering price may be changed from time to time by the Underwriters.

The following paragraphs have been provided by the Underwriters.

BofA Securities, Inc., an Underwriter of the Notes, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Notes.

Morgan Stanley & Co. LLC, an Underwriter of the Notes, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Notes.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective buyers of the Notes. Quotations from and summaries and explanations of the Notes, the Resolution, the Financing Certificate and the statutes and documents contained herein do not purport to be complete, and reference is made to said documents and statutes for full and complete statements of their provisions.

Appropriate County officials, acting in their official capacity, have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. An appropriate County official will execute a certificate to such effect upon delivery of the Notes. This Official Statement and its distribution have been duly authorized and approved by the Board of Supervisors of the County.

CONTINUING DISCLOSURE

The County has agreed in a Disclosure Certificate to provide, no later than ten business days after their occurrence, notice of the occurrence of the events set forth in Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system. Certain of the events set forth under Rule 15c2-12 do not apply to the Notes. The specific events are stated in APPENDIX E — "Form of Disclosure Certificate" attached hereto.

The County did not timely file the operating data and audited financial statements for Fiscal Year 2013-14 (the "2014 Annual Report") with respect to the Los Angeles County Public Works Financing Authority Refunding Revenue Bonds (Los Angeles County Regional Park and Open Space District), Series 2005A and did not timely file a notice of a rating upgrade with respect to the Community Facilities District No. 3 (Valencia/Newhall Area) of the County of Los Angeles, Improvement Area B Special Tax Refunding Bonds, Series 2011A. In addition, the notice of a rating upgrade with respect to the Los Angeles County Public Works Financing Authority, Lease Revenue Bonds, 2016 Series D (the "2016D Bonds") did not identify all of the applicable CUSIPs of this issue. The County has filed a notice of failure to timely file the 2014 Annual Report and notice of the rating change with the applicable CUSIPs for the 2016D Bonds.

ADDITIONAL INFORMATION

The County regularly prepares a variety of reports, including audits, budgets, and related documents, as well as certain monthly activity reports. Such reports are not incorporated by this reference. Any Holder of a Note may obtain a copy of any such report, as available, from the County by contacting:

COUNTY OF LOS ANGELES TREASURER AND TAX COLLECTOR
KENNETH HAHN HALL OF ADMINISTRATION, ROOM 432
500 WEST TEMPLE STREET
LOS ANGELES, CALIFORNIA 90012
(213) 974-8359

COUNTY OF LOS ANGELES
CALIFORNIA

APPENDIX A

COUNTY OF LOS ANGELES INFORMATION STATEMENT

COUNTY OF LOS ANGELES
CALIFORNIA

THE COUNTY OF LOS ANGELES
Information Statement

GENERAL INFORMATION

The County of Los Angeles (the "County") was established by an act of the California State Legislature on February 18, 1850 as one of California's original 27 counties. Located in the southern coastal portion of the State, the County covers 4,083 square miles and includes 88 incorporated cities as well as many unincorporated communities. With a population of over 10.1 million in 2018, the County is the most populous of the 58 counties in California and has a larger population than 41 states.

As required by the County Charter, County ordinances, and State or Federal mandates, the County is responsible for providing government services at the local level for activities including public welfare, health and justice, the maintenance of public records, and administration of ad valorem taxes. The County provides services such as law enforcement and public works to cities within the County on a cost-recovery contract basis. The County also provides certain municipal services to unincorporated areas of the County and operates recreational and cultural facilities throughout the County.

COUNTY GOVERNMENT

The County is governed by a five-member Board of Supervisors (the "Board of Supervisors"), each of whom is elected by residents from their respective supervisorial districts to serve four-year terms, with the potential to serve two additional four-year terms if re-elected by voters. The other elected officials of the County are the Assessor, District Attorney and Sheriff. On March 5, 2002, County voters approved two charter amendments that introduced mandatory term limits for the elected officials of the County. As a result, each Supervisor is now limited to serving a maximum of three consecutive terms commencing as of December 2002.

In March 2007, the Board of Supervisors amended the County Code by adopting the Interim Governance Structure Ordinance. Under this governance structure, the Board of Supervisors delegated additional responsibilities for the administration of the County to the Chief Executive Office (the "CEO"), including the oversight, evaluation and recommendation for appointment and removal of specific department heads and County officers. The five departments that continued to report directly to the Board of Supervisors were the Fire Department, Auditor-Controller, County Counsel, Executive Office of the Board of Supervisors, and the CEO. In May 2011, the Board of Supervisors further revised the governance structure by directing the Department of Children and Family Services and the Probation Department to report directly to the Board.

On July 7, 2015, the Board of Supervisors approved recommendations by the CEO to amend the County Code by repealing the 2007 Interim Governance Structure Ordinance, and to establish a new governance structure. Under the new governance structure, all non-elected department heads report directly to the Board of Supervisors, and all Deputy CEO positions were eliminated. County departments continue to report to the CEO for day-to-day operations, and for administrative and budget matters. The CEO continues to function as the Board of Supervisor's agent to manage countywide policy objectives and departmental performance management. The new governance structure is designed to streamline County governance by improving communications with County departments and facilitating more effective decision making in response to the Board of Supervisors' policy objectives.

From 2014 to 2016, the County experienced significant changes to its elected leadership on the Board of Supervisors. In December 2014, the previous Supervisors for the First District and the Third District reached their term limits, with their successors elected by voters in the November 2014 election. The current Supervisors for the First and Third Districts commenced their first terms in December 2014. In November 2016, voters elected new Supervisors to the Fourth District and the Fifth District, replacing the previous Supervisors who had reached their term limits. The new Supervisors for the Fourth and Fifth Districts commenced their first terms in December 2016. The Second District Supervisor will complete his third term and be termed-out out of office in December 2020.

COUNTY SERVICES

The vast majority of the County population resides in the 88 incorporated cities located within its boundaries. The County provides some municipal services to these cities on a contract basis under the Contract Services Plan. Established in 1954, this plan was designed to allow cities to contract for municipal services without incurring the cost of creating numerous city departments and facilities. Under the Contract Services Plan, the County will provide various municipal services to a city on a cost recovery basis at the same level of service as provided to the unincorporated areas or at a higher level of service that a city may choose.

Over one million people live in the unincorporated areas of the County. For the residents of these areas, the County Board of Supervisors functions as their "City Council," and County departments provide all of their municipal services, including law enforcement, fire protection, land use and zoning, building and business permits, road maintenance, animal care and control, and public libraries. Beyond the unincorporated areas, the County provides a wide range of services to all citizens who live within its boundaries.

Many of the County's core service functions are required by the County Charter, County ordinances, or by State or Federal mandate. State and Federal mandated programs, primarily related to social services and health care, are required to be maintained at certain minimum levels of service, which can limit the County's flexibility in providing these services.

Health and Welfare

Under State Law, the County is required to administer Federal and State health and welfare programs, and to fund a portion of the program costs with local revenues, such as sales and property taxes. Health care services are provided through a network of County hospitals and comprehensive health centers. In addition, the County provides public health, immunization, environmental and paramedic services, and is responsible for the design and establishment of the countywide emergency trauma network, which includes two medical centers operated by the County. The County also has responsibility for providing and partially funding mental health, drug and alcohol abuse prevention, and various other treatment programs. These services are provided at County facilities and through a network of contract providers.

While many of the patients receiving services at County facilities are indigent or covered by Medi-Cal (a State health insurance program), the County health care delivery system has been designed with the objective of providing quality health care services to the entire population. Through its affiliation with two medical schools and by operating its own school of nursing, the County Department of Health Services ("DHS") is a major provider of health care professionals throughout California.

Disaster Services

The County operates and coordinates a comprehensive disaster recovery network that is responsible for providing critical services in response to floods, fires, storms, earthquakes, and other emergency events. Centralized command centers can be established at any Sheriff station or in mobile trailers throughout the County. To prevent floods and conserve water, the County maintains and operates a system of 14 major dams, 172 debris basins, an estimated 120,000 catch basins, 35 sediment placement sites, and over 3,399 miles of storm drains and channels. County lifeguards monitor 25 miles of beachfront and County rescue boats patrol 75 miles of coastline, including the Catalina Channel.

Public Safety

The County criminal justice network is primarily supported by local County revenue sources, State Public Safety sales tax revenue and fees from contracting cities. The Sheriff provides county-wide law enforcement services and will perform specific functions requested by local police departments, including the training of thousands of police officers employed by the incorporated cities of the County. Specifically, the County provides training for narcotics, vice, homicide, consumer fraud, and arson investigations, as well as assistance in locating and analyzing crime scene evidence. The County also operates and maintains one of the largest jail systems in the United States, with an average daily inmate population of approximately 17,024 inmates. This number includes approximately 409 inmates who were serving their sentences outside of the jail in community based alternatives to custody programs.

General Government

The County is responsible for the administration of the property tax system, including property assessment, assessment appeals, collection of taxes, and distribution of property tax revenue to cities, agencies, special districts, and local school districts. Another essential general government service is the County's voter registration and election system, which provides services to an estimated 5.3 million registered voters and maintains approximately 4,700 voting precincts for countywide elections.

Culture and Recreation

Through a partnership with community leaders, non-profit organizations, volunteers and the private sector, the County operates the Music Center complex, which includes the Dorothy Chandler Pavilion, Mark Taper Forum, Ahmanson Theater, and the Walt Disney Concert Hall. The County also functions as the operator of the Hollywood Bowl, the John Anson Ford Theater, the Los Angeles County Museum of Art, the Museum of Natural History, and the George C. Page Museum.

The County manages over 181 parks and operates a network of regional recreational facilities, including Marina del Rey (a small craft harbor), 9 regional parks, 40 neighborhood parks, 20 community parks, 14 wildlife sanctuaries, 11 nature centers, 43 public swimming pools, over 200 miles of horse, biking and hiking trails, and 20 golf courses. The County also maintains botanical centers, including the Arboretum and Botanic Garden, the South Coast Botanic Garden, Descanso Gardens, and the Virginia Robinson Gardens, providing County residents with valuable environmental and educational resources.

EMPLOYEE RELATIONS/COLLECTIVE BARGAINING

The County has a total workforce of approximately 111,056 with 88% of the workforce represented by sixty-two (62) separate collective bargaining units that are certified employee organizations. These organizations include the Services Employees International Union ("SEIU") Local 721, which includes twenty-four (24) collective bargaining units that represent 57% of County employees; the Coalition of County Unions ("CCU"), which includes twenty-two (22) collective bargaining units representing 23% of County employees; and the Independent Unions (the "Independent Unions"), which encompass sixteen (16) collective bargaining units representing 8% of County employees. Under labor relations policy direction from the Board of Supervisors and Chief Executive Officer, the CEO Employee Relations Division is responsible for negotiating sixty-two (62) individual collective bargaining agreements for wages and salaries and an additional two (2) fringe benefit agreements with SEIU Local 721 and the CCU. The Independent Unions are covered by one of the two fringe benefit agreements.

The current Memoranda of Understanding ("MOUs") with the various collective bargaining units cover wages, salaries and fringe benefits. The County has agreed to terms with 58 of the 62 collective bargaining units and continues to negotiate with the remaining 4 units. The 58 settled MOUs have three-year terms and provide for a 7% cost of living increase over the term of the agreements, which have multiple expiration dates ranging from December 31, 2020 to September 30, 2021. Non-represented employees will also receive the 7% cost of living increase received by represented employees.

The County has successfully negotiated both fringe benefit MOUs with the SEIU and the CCU covering fringe benefits. The new MOU with SEIU, which expires on September 30, 2021, increases the County contribution toward healthcare benefits slightly each year, with the most significant change being the institution of caps on the amount of unused County contribution returned to the employee as taxable cash. The Board has approved the fringe benefit MOU with SEIU. On April 30, 2019, the County reached a tentative agreement with the CCU on the second fringe benefit MOU, which is pending Board approval.

RETIREMENT PROGRAM

General Information

All permanent County employees of three-quarter time or more are eligible for membership in the Los Angeles County Employees Retirement Association ("LACERA"). LACERA was established in accordance with the County Employees Retirement Law of 1937 (the "Retirement Law") to administer the County's Employee Retirement Trust Fund (the "Retirement Fund"). LACERA operates as a cost-sharing multi-employer defined benefit plan for employees of the County, the Los Angeles Superior Court and four other participating agencies. The Superior Court and the other four non-County agencies account for approximately 4.9% of LACERA's total membership**.**

LACERA is governed by the Board of Retirement, which is responsible for the administration of the Retirement Fund, the retiree healthcare program, and the review and processing of disability retirement applications. The Board of Retirement is comprised of four positions appointed by the Board of Supervisors, two positions elected by general LACERA members, two positions (one active and one alternate) elected by LACERA safety members and two positions (one active and one alternate) elected by retired LACERA members. The County Treasurer and Tax Collector is required by law to serve as an ex-officio member of the Board of Retirement.

The LACERA plans are structured as "defined benefit" plans in which benefit allowances are provided based on salary, length of service, age and membership classification. Law enforcement officers, firefighters, foresters and lifeguards are classified as "safety" employees, with all other positions classified as "general" employees. County employees had the option to participate in a contribution based defined benefit plan or a non-contribution based defined benefit plan. In the contribution based plans (Plans A, B, C, D & G), employees contribute a fixed percentage of their monthly earnings to LACERA based on rates determined by LACERA's independent actuary. The contribution rates depend upon age, the date of entry into the plan and the type of membership (general or safety). County employees who began their employment between January 4, 1982 and January 1, 2013 had the option to participate in Plan E, which is a non-contribution based plan. The contribution based plans (A through G) have higher monthly benefit payments for retirees compared to Plan E.

LACERA's total membership as of June 30, 2018 was 178,260, consisting of 71,988 active vested members, 26,486 active non-vested members, 64,880 retired members and 14,906 terminated vested (deferred) members. Of the 98,474 active members (vested and non-vested), 85,703 are general members in General Plans A through G, and 12,771 are safety members in Safety Plans A through C.

Of the 64,880 retired members, 52,292 are general members in General Plans A through G, and 12,588 are safety members in Safety Plans A, B and C. Beginning in 1977, both the General Plan A and the Safety Plan A were closed to new members. The County elected to close these plans in response to growing concerns regarding the future cost of Plan A benefits, which were considerably more generous than other plan options currently available to County employees.

As of June 30, 2018, approximately 51% of the total active general members (vested and non-vested) were enrolled in General Plan D, and over 80% of all active safety members (vested and non-vested) were enrolled in Safety Plan B. The basic benefit structure of General Plan D is a "2.0% at 61" funding formula that provides for annual 2.0% increases in benefits, with no benefit reductions for members who retire at age 61 or older. For the Safety Plan B, the benefit structure is a "2.0% at 50" formula that provides benefit increases of 2.0% and no benefit reductions beginning at age 50. To illustrate the potential financial impact of the retirement benefit, a General Plan D member with 35 years of experience can retire at age 61 with benefits equal to approximately 70% of current salary; and a Safety Plan B member with 25 years of experience can retire at age 50 with benefits equal to approximately 50% of current salary.

2012 State Pension Reform

On September 12, 2012, the Governor signed AB 340 into law, which established the California Public Employees' Pension Reform Act ("PEPRA") to govern pensions for public employers and public pension plans, effective January 1, 2013. For new employees hired on or after January 1, 2013, PEPRA includes pension caps, equal sharing of pension costs, changes to retirement age, and three-year final compensation provisions. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays, and purchases of service credit.

PEPRA applies to all State and local public retirement systems, including county and district retirement systems created pursuant to the Retirement Law, independent public retirement systems, and to individual retirement plans offered by public employers. PEPRA only exempts the University of California system and certain charter cities and counties whose pension plans are not governed by State law. Because the County's retirement system is governed by the County Employees Retirement Law of 1937, LACERA is required to comply with the provisions of PEPRA.

As a result of PEPRA, the County implemented General Plan G and Safety Plan C for new hires, effective January 1, 2013. Based on the June 30, 2018 Actuarial Valuation (the "2018 Actuarial Valuation"), the total employer contribution rate in Fiscal Year 2019-20 for new employees hired on and after January 1, 2013 is 19.42% for General Plan G and 24.68% for Public Safety Plan C. The new employer contribution rates are similar to the comparative rates of 19.42% for General Plan D participants and 26.31% for Public Safety Plan B participants. The basic benefit structure of Plan G using the PEPRA funding formula is "2.5% at 67" and provides for annual 2.0% cost of living adjustments during retirement, with no benefit reductions for members who retire at age 61 or older. For Safety Plan C, the benefit structure is a "2.7% at 57" formula that provides for annual 2.0% cost of living adjustments during retirement, with no benefit reductions beginning at age 50. Overall, the implementation of General Plan G and Safety Plan C is expected to result in a slight decrease to the total normal cost rate and an increase in the average member contribution rate, thus resulting in a decrease in the total employer contribution rate.

Contributions

Employers and members contribute to LACERA based on rates recommended by the independent actuary (using the Entry Age Normal Cost Funding Method) and adopted by the Board of Investments of LACERA (the "Board of Investments") and the County's Board of Supervisors. Contributory plan members are required to contribute between 5% and 15% of their annual covered salary. Employers and participating agencies are required to contribute the remaining amounts necessary to finance the coverage of their employees (members) through monthly or annual pre-funded contributions at actuarially determined rates. The annual contribution rates are based on the results of investments and various other factors set forth in the actuarial valuations and investigations of experience, which are described below.

Investment Policy

The Board of Investments has exclusive control of all Retirement Fund investments and has adopted an Investment Policy Statement. The Board of Investments is comprised of four active and retired members and four public directors appointed by the Board of Supervisors. The County Treasurer and Tax Collector serves as an ex-officio member. The Investment Policy Statement establishes LACERA's investment policies and objectives and defines the principal duties of the Board of Investments, investment staff, investment managers, master custodian, and consultants.

Actuarial Valuation

The Retirement Law requires the County to contribute to the Retirement Fund on behalf of employees using rates determined by the plan's independent actuary, which is currently Milliman Consultants and Actuaries ("Milliman"). Such rates are required under the Retirement Law to be calculated at least once every three years. LACERA presently conducts valuations on an annual basis to assess changes in the Retirement Fund's portfolio.

When measuring assets to determine the unfunded actuarial accrued liability ("UAAL"), which is defined as the actuarial accrued liability ("AAL") minus the actuarial value of the assets of LACERA at a particular valuation date, the Board of Investments has elected to "smooth" gains and losses to reduce the potential volatility of its funding requirements. If in any fiscal year, the actual investment return on the Retirement Fund's assets is lower or higher than the current actuarial assumed rate of return, the shortfall or excess is smoothed, or spread, over a multi-year time period. The impact of this valuation method will result in "smoothed" assets that are lower or higher than the market value of assets depending on whether the remaining amount to be smoothed is either a net gain or a net loss. In December 2009, the Board of Investments adopted the Retirement Benefit Funding Policy (the "2009 Funding Policy"). As a result of the 2009 Funding Policy the smoothing period to account for asset gains and losses increased from three years to five years.

In addition to annual actuarial valuations, LACERA requires its actuary to review the reasonableness of the economic and non-economic actuarial assumptions every three years. This review, commonly referred to as the Investigation of Experience, is accomplished by comparing actual results during the preceding three years to what was expected to occur according to the actuarial assumptions. On the basis of this review, the actuary recommends whether any changes in the assumptions or methodology would allow a more accurate projection of total benefit liabilities and asset growth.

In December 2016, Milliman released the 2016 Investigation of Experience for Retirement Benefit Assumptions (the "2016 Investigation of Experience"). The 2016 Investigation of Experience provided the basis for Milliman's recommended changes to the actuarial assumptions in the June 30, 2016 Actuarial Valuation (the "2016 Actuarial Valuation"). The key changes to the actuarial assumptions proposed by Milliman included a reduction in the assumed investment rate of return from 7.5% to 7.25%; reductions in the assumed rates for wage growth and price inflation from 3.50% and 3.00% to 3.25% and 2.75%, respectively; and a reduction in the mortality rate (increase in life expectancy) for all retirees. In December 2016, the Board of Investments approved Milliman's recommended changes to the actuarial assumptions to be used in the 2016 Actuarial Valuation. However, the resulting increase to the employer contribution rate will be phased in over a three-year period beginning in Fiscal Year 2017-18. The next Milliman Investigation of Experience for Retirement Benefit Assumptions is scheduled to be released in December 2019.

UAAL and Deferred Investment Returns

For the June 30, 2017 Actuarial Valuation (the "2017 Actuarial Valuation"), LACERA reported a rate of return on Retirement Fund assets of 12.7%, which was higher than the 7.25% assumed rate of return. As a result of the stronger than assumed investment performance, the market value of Retirement Fund Assets increased by $4.897 billion or 10.2% to $52.744 billion as of June 30, 2017. With the five-year smoothing process, the actuarial value of Retirement Fund assets increased by $2.808 billion or 5.7% from $49.358 billion to $52.166 billion as of June 30, 2017. The 2017 Actuarial Valuation reported that the AAL increased by $3.112 billion to $65.311 billion, and the UAAL increased by $304 million to $13.145 billion from June 30, 2016 to June 30, 2017. The Funded Ratio (actuarial value of Retirement Fund assets divided by the AAL) as of June 30, 2017 was 79.9%, which represented a slight increase from the 79.4% Funded Ratio as of June 30, 2016.

The 2017 Actuarial Valuation provided the basis for establishing the contribution rates effective July 1, 2018. The County's required contribution rate increased from 19.70% to 20.04% of covered payroll in Fiscal Year 2018-19. The increase in the contribution rate was primarily caused by a 0.55% cost increase from the three-year phase-in of the new actuarial assumption changes approved by the Board of Investments in December 2016, which was partially offset by a decrease in the funding requirement to finance the UAAL over 30 years from 11.24% to 11.06%, and a decrease in the normal cost contribution rate from 9.97% to 9.94%.

The increase in the County's required contribution rate for Fiscal Year 2018-19 included the second part of the three-year phase in of the 2.87% increase in the contribution rate attributable to the changes in actuarial assumptions approved by the Board of Investments in December 2016. If the three-year phase-in had not been adopted by the Board of Investments, the employer contribution rate for Fiscal Year 2018-19 would be 21.00%.

The 2017 Actuarial Valuation did not include $49.907 million of net deferred investment gains that will be partially recognized over the next four fiscal years. If the actual market value of Retirement Fund assets was used as the basis for the valuation, the Funded Ratio would have been 80.0% as of June 30, 2017, and the required County contribution rate would have been 20.96% for Fiscal Year 2018-19.

For the June 30, 2018 Actuarial Valuation (the "2018 Actuarial Valuation"), LACERA reported a rate of return on Retirement Fund assets of 9%, which was higher than the 7.25% assumed rate of return. As a result of the stronger than assumed investment performance, the market value of Retirement Fund Assets increased by $3.556 billion or 6.7% to $56.300 billion as of June 30, 2018. With the five-year smoothing process, the actuarial value of Retirement Fund assets increased by $3.067 billion or 5.9% from $52.166 billion to $55.233 billion as of June 30, 2018. The 2018 Actuarial Valuation reported that the AAL increased by $3.216 billion to $68.527 billion, and the UAAL increased by $149 million to $13.294 billion from June 30, 2017 to June 30, 2018. The Funded Ratio as of June 30, 2018 increased slightly to 80.6% from the prior year Funded Ratio of 79.9%.

The 2018 Actuarial Valuation provides the basis for establishing the contribution rates effective July 1, 2019. The County's required contribution rate will increase from 20.04% to 20.91% of covered payroll in Fiscal Year 2019-20. The increase in the contribution rate was primarily caused by a 0.96% cost increase from the last year of the three-year phase-in of the new actuarial assumption changes approved by the Board of Investments in December 2016, which was partially offset by a decrease in the funding requirement to finance the UAAL over 30 years from 11.06% to 10.99%, and a slight decrease in the normal cost contribution rate from 9.94% to 9.92%.

The 2018 Actuarial Valuation does not include $503.874 million of net deferred investment gains that will be partially recognized over the next four fiscal years. If the actual market value of Retirement Fund assets was used as the basis for the valuation, the Funded Ratio would have been 81.3% as of June 30, 2018, and the required County contribution rate would have been 20.55% for Fiscal Year 2019-20.

As of March 31, 2019, LACERA reported a 3.3% fiscal year to date net return on Retirement Fund assets, which is lower than the actuarial assumed investment rate of return of 7.25%. The asset allocation percentages for the Retirement Fund as of March 31, 2019 were 23.8% domestic equity, 20.1% international equity, 27.0% fixed income, 11.4% real estate, 9.5% private equity, 2.3% commodities, 3.2% hedge funds and 2.7% cash.

An eight-year history of the County's UAAL is provided in Table 1 ("Retirement Plan UAAL and Funded Ratio"), and a summary of investment returns for the prior eight years is presented in Table 2 ("Investment Return on Retirement Plan Assets") at the end of this Information Statement section.

Pension Funding

Since Fiscal Year 1997-98, the County has funded 100% of its annual actuarially required contribution to LACERA. In Fiscal Years 2016-17 and 2017-18, the County's total contributions to the Retirement Fund were $1.335 billion and $1.499 billion, respectively. In Fiscal Year 2018-19, the County's required contribution payments are projected to increase by approximately $135.8 million or 9.06% to $1.635 billion. For Fiscal Year 2019-20, the County is estimating retirement contribution payments to LACERA of $1.762 billion, which would represent a 7.8% or $127.2 million increase from Fiscal Year 2018-19.

A summary of actual and projected County pension payments to LACERA for the eight-year period ending June 30, 2020 is presented in Table 3 ("County Pension and OPEB Payments") at the end of this Information Statement section.

STAR Program

The Supplemental Targeted Adjustment for Retirees program ("STAR Program") is a discretionary program that provides a supplemental cost-of-living increase from excess earnings to restore retirement allowances to 80% of the purchasing power held by retirees at the time of retirement. As of June 30, 2018, $614 million was available in the STAR Program Reserve to fund future benefits. Under the 2009 Funding Policy, the entire STAR Program Reserve was included in the Retirement Fund's valuation assets. However, there is no corresponding liability for any STAR Program benefits in the 2018 Actuarial Valuation that may be granted in the future. If the STAR Program Reserve was excluded from the valuation assets, the County's required contribution rate would have increased from 20.91% to 21.35% for Fiscal Year 2019-20, and the Funded Ratio would have decreased from 80.6% to 79.7% as of June 30, 2018. The exclusion of the STAR Program Reserve from the valuation assets would require the County to increase its required contribution to LACERA by approximately $41 million in Fiscal Year 2019-20.

Pension Accounting Standards

In June 2012, the Governmental Accounting Standards Board ("GASB") issued new statements to replace the previous pension accounting and reporting requirements for defined pension benefit plans such as LACERA, and employers such as the County. GASB Statement No. 67, Financial Reporting for Pension Plans, replaces the requirements of GASB Statement No. 25 and is focused on pension plan administrators such as LACERA. GASB 67 was implemented with the issuance of LACERA's Fiscal Year 2013-14 financial statements and expanded the pension-related note disclosures and supplementary information requirements.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, replaced the requirements of GASB Statement No. 27 and is focused on employers that provide defined pension benefits such as the County. GASB 68 was implemented with the issuance of the County's Fiscal Year 2014-15 financial statements. Although GASB 68 does not materially affect the existing process for calculating the UAAL, it requires the County to recognize its proportionate share of LACERA's Net Pension Liability directly on the Statement of Net Position (government-wide balance sheet). The new requirement to recognize a liability in the financial statements represented a significant and material change from the previous standards, which only required the disclosure of such amounts in the notes to the financial statements. GASB 68 also includes additional reporting requirements, which have expanded the pension-related note disclosures and supplementary information requirements.

The new GASB pension standards are only applicable to the accounting and reporting for pension benefits in the County's financial statements. Accordingly, there will be no impact on the County's existing statutory obligations and policies to fund pension benefits. For the Fiscal Year ended June 30, 2018 the County reported a Net Pension Liability of $10.850 billion, which represents a $577 million or 6% increase from the $10.273 billion Net Pension Liability reported as of June 30, 2017.

Other Postemployment Benefits (OPEB)

LACERA administers a retiree health care benefits program for retirees under an agreement with the County. The program includes medical, dental, vision and life insurance benefit plans for over 88,000 retirees or survivors and their eligible dependents. The Board of Retirement reserves the right to amend or revise the medical plans and programs under the retiree health program at any time. County payments for postemployment benefits are calculated based on the employment service credit of retirees, survivors, and dependents. For eligible members with 10 years of service credit, the County pays 40% of the health care plan premium. For each year of service credit beyond 10 years, the County pays an additional 4% of the plan premium, up to a maximum of 100% for a member with 25 years of service credit.

The County reached an agreement with CCU and SEIU to add a new tier of retiree healthcare benefits for employees who begin County service on or after July 1, 2014. Under the new agreement, the County will provide paid medical coverage at the retiree only premium level and not at the current level of full family coverage. The retiree will have the option to purchase coverage for dependents, but the County will only provide a financial subsidy to the retiree. In addition, Medicare-eligible retirees will be required to enroll in Medicare, with the County subsidy based on a Medicare supplement plan. The same vesting rights and years of service crediting formula of 40% after 10 years and 100% after 25 years will still apply to the new tier. The agreement will not affect current retirees or current employees hired prior to July 1, 2014. The new retiree healthcare benefit tier is projected to save an estimated $840 million over the next 30 years and reduce the unfunded liability for retiree healthcare by 20.8%. The agreement was approved by the Board of Retirement and by the Board of Supervisors in June 2014.

In May 2012, the Board of Supervisors approved the establishment of a tax-exempt OPEB trust pursuant to a Trust and Investment Services Agreement (the "OPEB Trust") between LACERA and the County. In accordance with the OPEB Trust, the LACERA Board of Investments will function as the trustee and investment manager, and the Board of Supervisors will have exclusive discretion over the amount of contributions and/or transfers the County may invest or allocate to the OPEB Trust. In Fiscal Year 2012-13, the County transferred $448.8 million from the County Contribution Credit Reserve maintained with LACERA for the initial funding of the OPEB Trust. The transfer from the County Contribution Credit Reserve represented the accumulated balance of the County's proportionate share of excess earnings distributions from the Retirement Fund from Fiscal Years 1994 through 1998.

On June 22, 2015, the Board of Supervisors approved a multi-year plan to begin pre-funding the County's unfunded OPEB liability (the "OPEB Pre-funding Plan"). The OPEB Pre-funding Plan requires the County to fully fund the OPEB annual required contribution ("ARC") by incrementally increasing the annual contribution to the OPEB Trust. In Fiscal Year 2017-18, the County contributed $120.8 million to the OPEB Trust in excess of the pay as you go amounts. The County expects to contribute $180.9 million and $246.2 million in excess of the pay as you go amounts in Fiscal Years 2018-19 and 2019-20, respectively. In future fiscal years, the County expects to incrementally increase its OPEB funding by approximately $60 million per year, which includes an annual $25 million increase in the Net County Cost ("NCC") contribution from the General Fund and a $35 million annual increase funded by subvention revenue. Based on current projections for the OPEB Pre-funding Plan, the OPEB ARC will be fully funded by Fiscal Year 2027-28. As of March 31, 2019, the balance of the OPEB Trust was $1.114 billion.

Investment Policy

The LACERA Board of Investments has exclusive control of all OPEB Trust Fund investments and has adopted an Investment Policy Statement. The Board of Investments is comprised of four active and retired members and four public directors appointed by the Board of Supervisors. The County Treasurer and Tax Collector serves as an ex-officio member. The Investment Policy Statement establishes LACERA's investment policies and objectives and defines the principal duties of the Board of Investments, investment staff, investment managers, master custodian, and consultants.

OPEB Accounting Standards

In June 2015, GASB issued Statement No. 74 and Statement No. 75, which replaced previous OPEB accounting and reporting requirements for entities that administer OPEB plans (LACERA) and employers (the County).

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, replaced the requirements of GASB Statement No. 43 and is focused on the OPEB plan administrator (LACERA). GASB 74 was implemented with the issuance of LACERA's Fiscal Year 2016-17 financial statements and expanded the required OPEB-related note disclosures and supplementary information.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, replaced the requirements of GASB Statement No. 45 and is focused on employers (the County) providing defined OPEB benefits. GASB 75 was implemented with the issuance of the County's Fiscal Year 2017-18 financial statements. Although GASB 75 did not materially affect the existing process which computes the County's UAAL, it did require the County to recognize the full amount of net OPEB liabilities directly on the Statement of Net Position (government-wide balance sheet). The net OPEB liability is the difference between the total OPEB liability (the present value of projected OPEB benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) held by LACERA to pay OPEB benefits. There are also new requirements which expanded the existing OPEB-related note disclosures and supplementary information.

The new requirement from GASB 75 to recognize the full amount of net OPEB liabilities in the financial statements is a substantive and material change to the previous standards. Prior accounting standards only required recognition of OPEB liabilities to the extent that OPEB funding was less than the actuarially determined amount. As of June 30, 2018, the County's Statement of Net Position recognized $25.249 billion of OPEB liabilities which represented an $11.098 billion or 78.4% increase from the $14.151 billion obligation reported as of June 30, 2017. The new GASB OPEB standards are only applicable to accounting and reporting for OPEB benefits in the County's financial statements. Accordingly, there is no impact on the County's existing statutory obligations and policies to fund the OPEB benefits.

OPEB Actuarial Valuation

In order to comply with the requirements of GASB 74 and GASB 75, LACERA engaged Milliman to complete actuarial valuations of OPEB liabilities for the LACERA plans. In their OPEB valuations, Milliman has provided a determination of the AAL for LACERA's health, dental, vision and life insurance benefit plans. The County's members comprise approximately 95% of LACERA's retiree population and the County is responsible for this percentage of OPEB costs. The 5% of LACERA retirees who do not contribute to the County's OPEB liability are predominantly members of the Los Angeles Superior Court. The demographic and economic assumptions used in the OPEB valuations are modeled on the assumptions used by LACERA for its pension program. The healthcare cost assumptions are based on discussions with other consultants and actuaries used by the County, LACERA and labor groups.

In June 2018, Milliman released the County's OPEB actuarial valuation report as of July 1, 2017 which served as the basis for the GASB 75 disclosure report, also prepared by Milliman and issued in July 2018 (the “2018 GASB 75 Report”). In the 2018 GASB 75 Report, Milliman reported a Net OPEB Liability of $26.469 billion for LACERA’s OPEB program (including employees of the Los Angeles Superior Court). The County’s share of this liability is $25.249 billion.

OPEB Contributions

In Fiscal Years 2016-17 and 2017-18, the total “pay as you go” payments from the County to LACERA for retiree health care benefits were $528.9 million and $559.1 million, respectively. In Fiscal Year 2018-19, payments to LACERA for OPEB are projected to increase by $42.6 million or 7.6% to $601.7 million. For Fiscal Year 2019-20, the County is projecting $646.4 million in OPEB payments to LACERA, which would represent a 7.4% or $44.7 million increase from Fiscal Year 2018-19.

Long-Term Disability Benefits

In addition to its Retiree Healthcare Plan, the County administers a Disability Benefits Plan (“DBP”) that is separate from LACERA. The DBP covers employees who become disabled as a direct result of an injury or disease while performing assigned duties. Generally, the long-term disability plans included in the DBP provide employees with a basic monthly benefit of between 40% and 60% of such employee’s monthly compensation, commencing after 6 months of disability. The benefits under these plans normally terminate when the employee is no longer totally disabled or turns age 65, whichever occurs first. The health plans included in the DBP generally cover qualified employees who are sick or disabled and provide for the payment of a portion of their medical premiums.

The County has determined that the liability related to long-term disability benefits is an additional OPEB liability, which is reported as a component of the Net OPEB Liability in the CAFR. Following completion of the original OPEB Valuation, the County engaged Buck Consultants to prepare actuarial valuations of the long-term disability portion of its DBP. The latest valuation, as of July 1, 2017 included information related to GASB 75. In the 2017 LTD Valuation, the total OPEB liability for the County’s long-term DBP was $1.073 billion, compared to the long-term DBP obligation of $376.2 million as of June 30, 2017.

In Fiscal Years 2016-17 and 2017-18, the County made total DBP payments of $38.8 million and $41.1 million, respectively. For Fiscal Years 2018-19 and 2019-20, the County is projecting total DBP payments of $44.5 million and $47.6 million, respectively. As of June 30, 2018, the County's total net OPEB liability of $26.322 billion includes $25.249 billion for retiree healthcare and $1.073 billion for long-term disability benefits.

LITIGATION

The County is routinely a party to various lawsuits and administrative proceedings. The following are summaries of certain pending legal proceedings or potential contingent liabilities, as reported by the Office of the County Counsel. A further discussion of certain legal matters that directly affect the budget and the revenue generating powers of the County is provided in the Budgetary Information section of Appendix A.

Wage and Hour Cases

In 2017 and 2018, three federal collective action complaints (*Trina Ray v. Los Angeles County Department of Public Social Services*; *Thomas Ferguson v. County of Los Angeles; Pieter Vandenberg v. County of Los Angeles)* were filed against the County in connection with alleged violations of the Fair Labor Standards Act (the "FLSA"). The *Trina Ray* complaint relates to an alleged failure to pay overtime compensation to individuals providing assistance under the State and County's In-Home Supportive Services Program. The court ruled that plaintiffs can seek overtime pay under the FLSA only from November 12, 2015 to January 31, 2016. The *Ferguson* and *Vandenberg* complaints relate to an alleged failure to properly calculate overtime compensation. These two cases are based on a Ninth Circuit decision, *Flores v. City of San Gabriel*, which held that cash paid to employees in lieu of benefits must be included when calculating the hourly rate of overtime pay. The potential liability in each case depends on, among other things, the amount of damages that are demonstrated and the size of the collective class. The cases are in their early stages and the County is unable to determine at this time the potential liability relating thereto.

In December 2018, a class action lawsuit was filed by Rolinda Sotomayor, alleging unpaid compensation for time worked and overtime compensation that was wrongfully withheld. Plaintiff, a custody assistant for the Sheriff's Department, specifically alleges she has not been paid properly for the "donning and doffing" of her uniform at work. The potential liability depends on, among other things, the amount of damages that are demonstrated and the size of the collective class. The case is in the early stages and the County is unable to determine at this time the potential liability relating thereto.

In February 2019, a class action lawsuit was filed by Paul Randal James, alleging that LAC+USC Medical Center failed to pay the State-mandated minimum wage for all hours worked. The court has issued a stay in this case until the initial status conference scheduled for June 2019. The potential liability depends on, among other things, the amount of damages that are demonstrated and the size of the collective class. The case is in the early stages and the County is unable to determine at this time the potential liability relating thereto.

In March 2019, Service Employees International Union filed a lawsuit seeking to enforce a December 2018 arbitrator's decision against the County holding that certain classes of Eligibility Workers in the Department of Public Social Services were not properly paid "bonus pay" going back to 2004. The case is in the early stages and the County is unable to determine at this time the potential liability relating thereto.

Public Safety Cases

On December 16, 2014, the Board of Supervisors entered into a settlement agreement in the *Rosas v. Baca, et al.* lawsuit. *Rosas v. Baca, et al* is a Federal class action lawsuit filed by the American Civil Liberties Union (ACLU) alleging a pattern and practice of excessive use of force in the County jails. Under the terms of the agreement, the Sheriff’s Department will implement various reforms recommended by a court-appointed panel of monitors. The settlement agreement requires that the Sheriff’s Department comply with various recommendations by specific target dates. The County continues to make progress toward compliance with these recommendations.

On June 4, 2014, the U.S. Department of Justice (the "DOJ") issued a public report alleging that systemic deficiencies related to suicide prevention and mental health care existed in the County jails, and that those deficiencies violated inmates' constitutional rights. The Sheriff's Department and the Department of Mental Health have reached a proposed settlement with the DOJ concerning the DOJ's allegations that the County and the Sheriff's Department are violating inmates' constitutional rights with respect to mental health services and suicide prevention in the County jails as well as DOJ's concerns about the use of excessive force in the County jails. At this time, the cost of compliance for both this DOJ matter, and *Rosas* is still being evaluated.

In 2010, a lawsuit was filed *(Amador v. Baca, et. al.)* claiming that the County and the Sheriff's Department ("Department") violated the constitutional rights of female inmates through the use of unlawful strip searches. In November 2016, the court certified two classes and three subclasses of female inmates who were searched between 2008 and 2015. In June 2017, the court ruled that the conditions under which the searches occurred rendered them unconstitutional. The potential class has approximately 93,000 members. The County has reached a tentative settlement of $53 million to be paid in three installments twelve months apart. The first installment will not be paid until after the class has been notified, which will most likely occur in Fiscal Year 2019-20.

A lawsuit was filed in October, 2012, and subsequently certified as a class action (*Roy v. County of Los Angeles*), alleging that plaintiffs were unlawfully detained by County jail personnel after U.S. Immigration and Customs Enforcement (ICE) placed immigration holds on them. The parties are actively engaged in settlement discussions. The potential liability exposure to the County is estimated to be $15 million.

Social Services Cases

In July 2013, F.M. *v. County of Los Angeles* was filed, alleging that the Department of Children and Family Services failed to properly investigate referrals for general neglect, and thus did not discover that plaintiff (a minor) was being sexually abused. On July 26, 2018, the jury returned a verdict for the plaintiff. The County's portion of the settlement totaled approximately $10.5 million, which will be paid in five annual installments beginning in 2019.

Tax Cases

Willy Granados v. County of Los Angeles, an action for damages and declaratory and injunctive relief, was filed in November 2006. It seeks to stop the County's collection of the utility user tax ("UUT") to the extent that it is applied to telecommunications services that are no longer subject to the federal excise tax ("FET"). The County Code excludes from the UUT amounts paid for services exempt from the FET. In addition, the suit seeks to recover the allegedly wrongfully collected taxes. The plaintiff also sought certification as a class action. In 2007, the County filed a demurrer to the complaint, which was sustained. The action was dismissed and the plaintiff appealed. The action was stayed pending a decision in *Ardon v. City of Los Angeles*, where the court ruled in 2011 that a class claim could be brought for a UUT refund. In 2012, the Court of Appeal reversed the dismissal order, resulting in reinstatement of the lawsuit. Litigation activity resumed in 2016, and the plaintiff's motion for class certification was granted in May 2017. The plaintiffs sought $39 million in refunds. The County authorized settlement of the lawsuit for $16.9 million and has set aside reserves in this amount. The terms of the settlement agreement also include a provision for unclaimed funds to revert to the County, thereby potentially reducing the $16.9 million liability. It is anticipated that final resolution of the claim process will occur by late 2019.

Other Cases

In May 2016, the County experienced a phishing email attack that affected multiple departments and resulted in a breach of information for over 750,000 individuals. The County has provided the required notices and is undergoing an investigation into the incident. To date, no evidence suggests that any information has been misused. The County has taken actions to enhance security measures and training for employees to guard against future intrusions. The County does not expect any potential liability from this incident to have a material adverse impact to the General Fund.

In April 2018, two purported class-action lawsuits—*Ocana v. Renew Financial Holdings, Inc. et al.* and *Nemore v. Renovate America, Inc., et al.*—were filed against the County and the two contractors administering the County's residential Property Assessed Clean Energy Program (the "PACE Program"). The County's PACE Program allows participating homeowners to finance energy-efficient upgrades to their homes through an assessment against their properties that is collected on their annual property tax bills. The lawsuits allege the County and its third-party administrators for the PACE Program (Renew Financial Holdings and Renovate America) engaged in financial elder abuse by approving elderly property owners for PACE assessments who did not have the financial ability to repay the assessments, thus putting them at risk of defaulting and potentially subjecting their properties to foreclosure. The lawsuits seek cancellation of the assessments. Both class actions have been consolidated and the County's demurrer to plaintiffs' first amended complaint remains pending. The program administrators are contractually obligated to indemnify the County and provide for its defense. The County does not expect any liability from these cases to have a material adverse impact to the General Fund.

In November 2017, *Maria Solis Munoz v. County of Los Angeles* was filed, alleging that a Sheriff's Department deputy negligently drove through an intersection against a red light, setting off a chain of events leading to the collision of the deputy's car with the plaintiff and her two minor sons, both of whom suffered fatal injuries. The parties are actively engaged in settlement discussions. The potential liability exposure to the County is estimated to be $18.5 million.

Pending Litigation

There are a number of other lawsuits and claims pending against the County. In the opinion of the County Counsel, such suits and claims that are presently pending will not impair the ability of the County to make debt service payments or otherwise meet its outstanding lease or debt obligations.

TABLE 1: RETIREMENT PLAN UAAL AND FUNDED RATIO
(in thousands)

Actuarial Valuation Date	Market Value of Plan Assets	Actuarial Value of Plan Assets	Actuarial Accrued Liability	UAAL	Funded Ratio
06/30/2011	$39,452,011	$39,193,627	$48,598,166	$9,404,539	80.65%
06/30/2012	38,306,756	39,039,364	50,809,425	11,770,061	76.83%
06/30/2013	41,773,519	39,932,416	53,247,776	13,315,360	74.99%
06/30/2014	47,722,277	43,654,462	54,942,453	11,287,991	79.45%
06/30/2015	48,818,350	47,328,270	56,819,215	9,490,945	83.30%
06/30/2016	47,846,694	49,357,847	62,199,214	12,841,367	79.35%
06/30/2017	52,743,651	52,166,307	65,310,803	13,144,496	79.87%
06/30/2018	56,299,982	55,233,108	68,527,354	13,294,246	80.60%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2018.

TABLE 2: INVESTMENT RETURN ON RETIREMENT PLAN ASSETS
(in thousands)

Fiscal Year	Market Value of Plan Assets	Market Rate of Return	Funded Ratio Based on Market Value
2010-11	$39,452,011	20.4%	79.4%
2011-12	38,306,756	0.3%	73.7%
2012-13	41,773,519	12.1%	77.6%
2013-14	47,722,277	16.8%	86.0%
2014-15	48,818,350	4.3%	85.0%
2015-16	47,846,694	1.1%	76.1%
2016-17	52,743,651	12.7%	80.0%
2017-18	56,299,982	9.0%	81.3%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2018.

TABLE 3: COUNTY PENSION AND OPEB PAYMENTS
(in thousands)

	Payments to LACERA				
Fiscal Year	Retirement Fund	OPEB (PAYGO)	OPEB (Prefund)	OPEB Disability	Total Retirement & OPEB Payments
2012-13	$1,118,514	$441,062	$448,819	$37,598	$2,045,993
2013-14	1,262,754	446,979	0	37,320	1,747,053
2014-15	1,430,462	450,202	0	39,920	1,920,584
2015-16	1,383,897	507,698	72,489	37,597	2,001,681
2016-17	1,334,825	529,074	61,145	38,778	1,963,822
2017-18	1,499,212	559,233	120,796	41,141	2,220,382
2018-19	1,635,007 *	600,882 *	182,848 *	44,476	2,463,213
2019-20	1,762,217 *	627,915 *	246,226 *	47,560	2,683,918

Source: Milliman Actuarial Valuations (of LACERA), Los Angeles County CAFRs and County of Los Angeles Chief Executive Office.
* Estimated

COUNTY OF LOS ANGELES
CALIFORNIA

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BUDGETARY INFORMATION

COUNTY BUDGET PROCESS

The County is required by California State Law to adopt a balanced budget by October 2nd of each year. The CEO of the County prepares a preliminary forecast of the County budget based on the current year budget, the State budget, and other projected revenue and expenditure trends. Expanding on this forecast, the CEO prepares a target County budget for the ensuing fiscal year, and projected resources are tentatively allocated to the various County programs and services.

The CEO normally presents the Recommended County Budget to the Board of Supervisors in April. The Board of Supervisors is required to adopt a Recommended Budget no later than June 30th. If a final County Budget is not adopted by June 30th, the appropriations approved in the Recommended Budget, with certain exceptions, become effective for the new fiscal year until the final budget is approved.

The CEO generally recommends revisions to the County Budget after adoption of the final State budget to align County expenditures with approved State funding. After conducting public hearings and deliberating on the details of the budget, the Board of Supervisors is required to adopt the Final County Budget by October 2nd of each year.

Throughout the remainder of the fiscal year, the Board of Supervisors approves various adjustments to the Final County Budget to reflect changes in appropriation requirements and funding levels. The annual revenues from the State and Federal governments are generally allocated pursuant to formulas specified in State and Federal statutes. For budgetary or other reasons, such statutes are often subject to change that may affect the level of County revenues and budgetary appropriations.

COUNTY BUDGET OVERVIEW

The County Budget is comprised of eight fund groups through which the County's resources are allocated and controlled. These groups include the General Fund and Hospital Enterprise Fund (which represents the General County Budget), Special Revenue Funds, Capital Project Special Funds, Special District Funds, Other Enterprise Funds, Internal Service Fund, and Agency Fund.

The General County Budget accounts for approximately 78.9% of the 2019-20 Recommended Budget and appropriates funding for programs that are provided on a mostly county-wide basis *(e.g.*, health care, welfare, and detention facilities), municipal services to the unincorporated areas not otherwise included in a special district, and certain municipal services to various cities on a contract fee-for-service basis *(e.g.*, law enforcement, planning and engineering).

Special Revenue Funds represent approximately 11.0% of the 2019-20 Recommended Budget, and are used to account for the allocation of revenues that are restricted to defined purposes, such as public library operations, road construction and maintenance programs, specific automation projects and Measure H – Los Angeles County Plan to Prevent and Combat Homelessness.

Capital Project Special Funds account for approximately 0.7% of the 2019-20 Recommended Budget and provide funding for the acquisition or construction of major capital facilities that are not financed through other funding sources.

Special District Funds, which account for approximately 6.7% of the 2019-20 Recommended Budget, are separate legal entities funded by specific taxes and assessments. These districts provide public improvements and/or services benefiting targeted properties and residents. Special Districts are governed by the Board of Supervisors and include, among others, Flood Control, Garbage Disposal, Sewer Maintenance and Regional Park and Open Space Districts. The remaining fund groups, Other Enterprise, Internal Services and Agency Funds account for 2.7% of the 2019-20 Recommended Budget.

CONSTITUTIONAL PROVISIONS AFFECTING TAXES AND APPROPRIATIONS

Proposition 13

Article XIIIA of the California Constitution limits the taxing powers of California public agencies. Article XIIIA provides that the maximum ad valorem tax on real property cannot exceed 1% of the Full Cash Value of the property, and effectively prohibits the levying of any other ad valorem property tax except for taxes required to pay debt service on voter-approved general obligation bonds. Full Cash Value is defined as the County Assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.

The Full Cash Value is subject to annual adjustment to reflect inflation at a rate not to exceed 2%, or a reduction as shown in the consumer price index (or comparable local data), or a decline in property value caused by damage, destruction or other factors. The foregoing limitation does not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on certain types of indebtedness approved by the voters.

Article XIIIB of the California Constitution limits the amount of appropriations by local governments to "Proceeds of Taxes." The County's appropriation limit for Proceeds of Taxes for Fiscal Year 2018-19 is $24,435,884,072. The 2018-19 Adopted Budget included proceeds from taxes of $9,414,061,000, which is substantially below the statutory limit.

Proposition 62

Proposition 62, a 1986 ballot initiative that amended the California Constitution, requires voter approval of all new taxes or any increases to local taxes. A challenge to taxes subject to Proposition 62 may only be made for those taxes collected beginning one year before a claim is filed. Such a claim is a necessary prerequisite to the filing of a lawsuit against a public entity in California.

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Proposition 218

Proposition 218, a 1996 ballot initiative that added Articles XIIIC and XIIID to the California Constitution, established the following requirements on all taxes and property-related assessments, fees, and charges:

- precluded special purpose districts or agencies, including school districts, from levying general taxes;
- precluded any local government from imposing, extending or increasing any general tax unless such tax is approved by a majority of the electorate;
- precluded any local government from imposing, extending or increasing any special purpose tax unless such tax is approved by two-thirds of the electorate; and
- ensured that voters may reduce or repeal local taxes, assessments, or fees through the initiative process.

An Appellate Court decision determined that Proposition 218 did not supersede Proposition 62. Consequently, voter approval alone may not be sufficient to validate the imposition of general taxes adopted, increased or extended after January 1, 1995.

Proposition 218 also expressly extends to voters the power to reduce or repeal local taxes, assessments, and fees through the initiative process, regardless of the date such charges were imposed. SB 919, the Proposition Omnibus Implementation Act, was enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions to comply with Proposition 218. SB 919 states that the initiative power provided for in Proposition 218 shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after November 6, 1998, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by the United States Constitution.

In the 2006 case of *Bighorn-Desert View Water Agency v. Virjil (Kelley)*, the State Supreme Court suggested that the initiative power under Proposition 218 is not free of all limitations, and could be subject to restrictions imposed by the contract clause of the United States Constitution. No assurance can be given, however, that voters in the County will not, in the future, approve an initiative that reduces or repeals local taxes, assessments, fees or charges that are deposited into the County's General Fund. In addition, "fees" and "charges" are not defined by Article XIIIC or SB 919, and the scope of the initiative power under Article XIIIC could include all sources of General Fund revenue not received from or imposed by the Federal or State government or derived from investment income.

Proposition 1A 2004

Proposition 1A 2004, approved by the voters in November 2004, amended the State Constitution by limiting the State's authority to reduce local sales tax rates or alter their method of allocation, shift property tax revenues from local governments to schools or community college districts, or decrease Vehicle License Fee ("VLF") revenues without providing replacement funding. Proposition 1A 2004 further amended the State Constitution by requiring the State to suspend State laws that create unfunded mandates in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Pursuant to Proposition 1A 2004, the State can no longer reallocate local property tax revenues without triggering a constitutional obligation to repay the local taxing agencies within three years. The State is further prohibited from reallocating local property tax revenues on more than two occasions within a ten-year period.

Proposition 26

On November 2, 2010, voters approved Proposition 26, which amended the State Constitution to expand the definition of a tax so that certain fees and charges imposed by the State and local governments will now be subject to approval by two-thirds of each house of the State Legislature or approval by local voters, as applicable. Proposition 26 requires a two-thirds approval by each house of the State Legislature to enact new laws that increase taxes on any taxpayer, and repealed State laws that were in conflict with the measure, unless they were approved again by two-thirds of each house of the State Legislature.

Future Initiatives

Propositions 13, 62, 218, 1A 2004 and 26 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting County revenues or the County's ability to expend revenues.

FEDERAL AND STATE FUNDING

A significant portion of the County budget is comprised of revenues received from the Federal and State governments. As indicated in the table "Historical Appropriations by Fund" on page A-21 of this Appendix A, $4.967 billion of the $25.644 billion 2019-20 Recommended General County Budget is received from the Federal government and $6.636 billion is funded by the State. The remaining $14.041 billion of County revenues are generated from property taxes and a variety of other sources. The fact that 45% of General County funding is provided by the State and Federal government illustrates the County's significant reliance on outside funding sources.

Federal Budget Update

On March 11, 2019, the President released an initial summary of his $4.7 trillion proposed budget for Federal Fiscal Year (FFY) 2020, followed by additional details on March 18, 2019. The budget includes changes to major mandatory spending programs of interest to the County that would result in $2.8 trillion in spending cuts over the next ten years. This includes $845.0 billion from Medicare, $1.5 trillion for Medicaid, $219.8 billion for the Supplemental Nutrition Assistance Program, $21.0 billion for the Temporary Assistance for Needy Families benefits and $1.6 billion for the Social Services Block Grant.

Additionally, the President's budget summary proposes to eliminate or significantly curtail funding for a number of discretionary programs through which the County receives funding. These proposed eliminations include the Community Development Block Grant ($3.3 billion), HOME Investment Partnerships program ($1.3 billion), Public Housing Capital Fund ($2.8 million), Choice Neighborhoods ($150.0 million), Senior Community Service Employment program ($400.0 million), Low Income Home Energy Assistance ($3.7 billion), and the Economic Development Administration ($265.0 million). It also proposes to reduce funding for programs such as the Public Housing Operating Fund, the State Homeland Security Grant program, and the Urban Area Security Initiative, among other programs.

Specific to the County, the President's Budget proposes $13.1 million in funding for operations and maintenance of the Los Angeles County Drainage Area (LACDA), $50,000 in new funding to initiate a LACDA disposition study, and $2.5 million for the Whittier Narrows Dam Safety program.

The President's Budget generally serves as a messaging proposal that articulates the President's recommendations and funding priorities to Congress for the following fiscal year. The President's Budget proposal is opposed by Democrats as well as some Republicans, and is unlikely to be adopted into law with a Democrat-controlled majority in the House of Representatives. Over the next several months, Congress will consider various funding proposals and will be tasked with passing appropriation legislation to fund the Federal government for FFY 2020, which begins on October 1, 2019. The County cannot predict the final outcome of current and future budget negotiations.

STATE BUDGET PROCESS

Over the past twenty-five years, the State budget has experienced broad fluctuations as the State responded to the economic recession of the early 1990's, the economic recovery later in the same decade, the 2001 recession and subsequent recovery, and the most recent economic downturn that started in 2008. With the steady improvement in the State economy since the 2008 recession and the passage of Proposition 30 in the November 2012 election (and the subsequent extension by voters with the passage of Proposition 55 in November 2016), the State has experienced significant improvement to its budget stability and overall financial condition. The State's budgetary decisions in response to the changing economic environment will continue to have a significant financial and programmatic impact on counties, cities, and other local jurisdictions.

Fiscal Year 1991-92 Realignment Program

In Fiscal Year 1991-92, the State and county governments collectively developed a program realignment system (the "1991-92 Realignment Program") that removed State funding for certain health and welfare programs, and provided counties with additional flexibility to administer such programs. Under the 1991-92 Realignment Program, certain health and welfare services are funded by a 0.5% increase in sales taxes and increased vehicle license fees. Since counties receive their share of the funding for health and welfare programs under a fixed formula prescribed by State law, the flow of funds is no longer subject to the State budget process. If sales tax and vehicle license fee revenues are not realized as expected, county governments will still maintain responsibility for the management and cost of such programs.

On June 27, 2013, Governor Brown signed into law AB 85, which provides a mechanism for the State to redirect certain 1991-92 Realignment Program health care funding to social service programs. With California electing to implement a state-run Medicaid expansion pursuant to the Affordable Care Act, the State anticipates that the cost to counties for providing health care services to the indigent population will decrease as this population becomes eligible for coverage through Medi-Cal or the State-run health insurance exchange. The impact of the AB 85 legislation to the County is discussed in further detail in the Health Services Budget section

Public Safety Realignment

The approval of the Public Safety Realignment Act of 2011 (AB 109) transferred responsibility for the custody and supervision of specific low-level inmates and parolees from the California Department of Corrections and Rehabilitation to counties. Funding for AB 109 is financed by redirecting 1.0625% of State sales tax revenue and a portion of Vehicle License Fee revenues from the State to the counties. In November 2012, California voters passed Proposition 30, which authorized a constitutional amendment prohibiting the State Legislature from removing AB 109 funding.

Redevelopment Agencies

Effective February 1, 2012, and pursuant to Assembly Bill x1 26 ("ABx1 26"), redevelopment agencies throughout the State were abolished and prohibited from engaging in future redevelopment activities. ABx1 26 requires successor agencies to take over from the former redevelopment agencies and perform the following functions:

- Continue making payments on existing legal obligations without incurring any additional debt.
- Wind down the affairs of the former redevelopment agencies and return the funds of liquidated assets to the county Auditor-Controller, who will in turn distribute these funds to the appropriate local taxing entities.

Under ABx1 26, property tax revenues are allocated to pay enforceable legal obligations, pass-through payments and eligible administrative costs. Any remaining property tax revenues, otherwise known as "residual taxes", are to be distributed as property tax revenue to the appropriate local taxing entities, including the County. Prior to their dissolution, the estimated annual tax increment to fund redevelopment agencies in the County General Fund was approximately $453.0 million in Fiscal Year 2009-10. In Fiscal Years 2016-17 and 2017-18, the County General Fund received $175.2 million and $201.9 million of residual taxes, respectively. The budgeted and estimated residual tax revenue for Fiscal Year 2018-19 is $210.7 million, while the 2019-20 Recommended Budget includes a projected $228.1 million of residual tax revenue for the General Fund.

The County's direct involvement in redevelopment activities was limited to unincorporated areas of the County and to a small number of projects. The successor agency for these activities is the County's Community Development Commission. The dissolution of County related projects is not expected to have a material impact, if any, on the financial condition of the County.

2018-19 STATE BUDGET

On June 27, 2018, Governor Brown signed the Fiscal Year 2018-19 State Budget Act (the "2018-19 State Budget Act"), which projected a beginning fund balance surplus from Fiscal Year 2017-18 of $8.483 billion, total revenues and transfers of $133.332 billion, total expenditures of $138.688 billion, and a

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year-end surplus of $3.127 billion for Fiscal Year 2018-19. Of the projected year-end surplus, $1.165 billion was to be allocated to the Reserve for Liquidation of Encumbrances and $1.962 billion would be deposited to the Special Fund for Economic Uncertainties. The 2018-19 State Budget Act continued to provide for a deposit into the State's Budget Stabilization Account (Rainy Day Fund), which would bring the balance of the Rainy Day Fund to $13.768 billion, reaching the Constitutional funding target established under Proposition 2 in 2014 by June 2019.

The 2018-19 State Budget Act reflected an overall improvement in the State revenue forecast, resulting in an increase in total resources available of $6.672 billion over the Fiscal Year 2018-19 Proposed State Budget. The 2018-19 State Budget Act included an increase in total expenditures of $6.998 billion over the Fiscal Year 2018-19 Proposed State Budget, with funding for key State priorities related to counteracting the effects of poverty and combatting homelessness, mental health services, infrastructure and K-12 education. To prepare for a future economic downturn, the 2018-19 State Budget Act would fully fund the Rainy Day Fund by June 2019 in accordance with Proposition 2 and use surplus revenues to provide one-time funding for initiatives such as homelessness, mental health, and infrastructure projects, and pay for increased costs for programs of County interest, such as Medi-Cal, child care, IHSS, and foster care reform.

The items of major interest to the County in the 2018-19 State Budget Act included the following:

No Place Like Home. The 2018-19 State Budget Act included a proposal to place a measure on the November 2018 ballot to validate the No Place Like Home Program to help address the State's housing shortage and expand housing opportunities for individuals with mental illness. According to the Department of Mental Health, of the $2.0 billion generated through the No Place Like Home Program, the County would expect to receive approximately $700.0 million.

Homelessness. The 2018-19 State Budget Act included $609.0 million of statewide funding for various programs in Fiscal Year 2018-19 to assist local governments in their immediate efforts to address homelessness.

Children's Mental Health Mandate (AB 3632) Repayment. The 2018-19 State Budget Act included a repayment of $280.5 million owed to counties as a result of costs incurred from 2004 to 2011 for three AB 3632 mandates associated with providing mental health services for severely emotionally disturbed children. The total estimated repayment due to the County under AB 3632 is approximately $68.4 million.

IHSS County Administration. The 2018-19 State Budget Act provided an increase of $38.0 million in one-time State General Fund expenditures in Fiscal Year 2018-19 to partially fund the shortfall in the county administration allocation.

IHSS County Maintenance of Effort. Although the County IHSS MOE will increase by the statutory required five percent in Fiscal Year 2018-19, according to the State, there was no anticipated net fiscal impact to counties through Fiscal Year 2019-20. The higher 1991 Realignment revenues, combined with the $330.0 million in State General Fund contributions in Fiscal Year 2018-19 and $200 million in Fiscal Year 2019-20, are expected to fully cover the increased IHSS MOE costs.

Medi-Cal County Administration. The 2018-19 State Budget Act provided a statewide increase of $56.6 million in Fiscal Year 2018-19 based on an adjustment to the existing funding level using the increase in the California Consumer Price Index. The increase is based on an interim methodology that will be used until a new budgeting methodology is developed for calculating base costs related to county Medi-Cal administration. The Department of Public Social Services estimated that the County will receive approximately $16.5 million of the total $56.8 million statewide funding in Fiscal Year 2018-19.

Medi-Cal County Indigent Savings.
The 2018-19 State Budget Act assumed an increase in statewide savings of $242.7 million in 1991-92 Realignment Program funding redirected from counties to the State in Fiscal Year 2018-19. The County estimated that $77.5 million in 1991-92 Realignment Program funding may be redirected from the County to the State. The actual amount of the redirection to the State will be determined based on a reconciliation to be conducted in two years.

CalWORKs Single Allocation. The 2018-19 State Budget Act allocated $23.5 million in in one-time State General Fund expenditures to backfill the reduction in the May Budget Revision to the employment services portion of the CalWORKs Single Allocation.

State-County Partnerships on Incompetent to Stand Trial (IST). The 2018-19 State Budget Act included approximately $15 million annually for the County to support a partnership with the State Hospitals to serve up to 150 felony IST patients by diverting them from the County's jail system for treatment in community based settings.

Emergency Child Care Bridge Program for Foster Children. The 2018-19 State Budget Act included $31.0 million of statewide funding in Fiscal Year 2018-19 for the Emergency Child Care Bridge Program for Foster Children. This program provides emergency child care vouchers for foster youth caregivers, access to a child care navigator, and trauma-informed care training for foster youth child care providers. The County expects to receive $12.0 million of the statewide funding in Fiscal Year 2018-19.

2011 Public Safety Realignment Funding (AB 109). The 2018-19 State Budget Act estimated a statewide AB 109 Program base allocation of $1.328 billion in Fiscal Year 2018-19. The County expects to receive $413.0 million of the statewide base allocation in Fiscal Year 2018-19, which represents an increase of $27.0 million over the Fiscal Year 2017-18 base funding. In addition, the County is expected to receive $15.5 million in Fiscal Year 2017-18 growth funds.

Voting Systems Upgrade and Replacement. The 2018-19 State Budget Act included a one-time expenditure from the State General Fund of $134.3 million to support voting systems upgrade and replacement. This funding would be made available to all 58 counties with a 50 percent match funding requirement. The County's estimated share of the statewide funding is $43.0 million.

2019-20 STATE BUDGET

On January 9, 2019, Governor Newsom released his Fiscal Year 2019-20 Proposed State Budget (the "Proposed State Budget"), which projects a beginning fund balance surplus from Fiscal Year 2018-19 of $5.240 billion, total revenues and transfers of $142.618 billion, total expenditures of $144.191 billion, and a year-end surplus of $3.667 billion for Fiscal Year 2019-20. Of the projected year-end surplus, $1.385 billion would be allocated to the Reserve for Liquidation of Encumbrances and $2.283 billion would be deposited to the Special Fund for Economic Uncertainties. The Proposed State Budget provides for a Safety Net Reserve of $900 million, and continues to provide for a deposit into the State's Budget Stabilization Account (Rainy Day Fund), which would bring the balance of the Rainy Day Fund to $15.302 billion. The Proposed State Budget reflects the Governor's funding priorities, including combatting homelessness, increasing affordable housing, improving early childhood education and enhancing emergency readiness and response.

On May 9, 2019, Governor Newsom released the Fiscal Year 2019-20 May Budget Revision (the "May Budget Revision"). The May Budget Revision projects a beginning fund balance surplus from Fiscal Year 2018-19 of $6.224 billion, total revenues and transfers of $143.839 billion, total expenditures of $147.033 billion, and a year-end surplus of $3.030 billion for Fiscal Year 2019-20. Of the projected year-end surplus, $1.385 billion would be allocated to the Reserve for Liquidation of Encumbrances and $1.645 billion would be deposited to the Special Fund for Economic Uncertainties. The May Budget Revision continues to provide for a deposit into the State's Budget Stabilization Account (Rainy Day Fund), which would bring the balance of the Rainy Day Fund to $16.515 billion.

The May Budget Revision reflects an overall improvement in the State revenue forecast, resulting in an increase in total resources available of $2.205 billion over the Proposed State Budget. The May Budget Revision proposes an increase in total expenditures of $2.842 billion over the Proposed State Budget, with funding for the Governor's key priorities including making one-time investments to address the affordability crisis in California related to health care, housing and early education; extending Paid Family Leave; expanding the California Earned Income Tax Credit; combatting homelessness; expanding Whole Person Care Services; and prioritizing emergency preparedness, response and recovery.

Items of major interest to the County in the May Budget Revision include the following:

<u>Homeless Funding.</u> The May Budget Revision provides an additional $1 billion in statewide funding for homeless housing options and services, including $650 million in one-time grant funding to local governments for the Homeless Aid for Planning and Shelter Program. According to draft trailer bill language released by the Administration on May 10, 2019, of the $650 million, $275 million would be distributed to the State's 13 most populous cities with 300,000 or more residents, $275 million to counties, and $100 million to Continuums of Care. The draft trailer bill language would cap allocations to any County or Continuum of Care at 40 percent of the funding allocated for their category, require 50 percent of funding allocations to be contractually obligated by May 31, 2022, require 100 percent of funding allocations to be expended by June 30, 2023, and cap administration costs at 5 percent of a Continuums of Care's funding allocation. The May Budget Revision also expands the eligible, one-time uses of funding from the Proposed State Budget (which only proposed to fund shelters and navigation centers) to include hotel/motel conversions, traditional and non-traditional permanent supportive housing, rapid rehousing, jobs programs, and innovative housing projects.

<u>Infill Infrastructure Grant Program.</u> The May Budget Revision repurposes $500 million in the Proposed State Budget from short-term planning and production grants for local governments that achieved statewide housing goals to general purpose incentive payments for the Infill Infrastructure Grant Program administered by the California Department of Housing and Community Development. The Infill Infrastructure Grant Program provides gap funding for infrastructure that supports higher density affordable and mixed-income housing in locations designated as infill.

<u>Whole Person Care Pilot Program.</u> The May Budget Revision maintains the $100 million in statewide funding included in the Proposed State Budget for programs that coordinate health, mental health, substance use disorder, and social services, including supportive housing for individuals with mental illness, and provides an additional $20.0 million in one-time statewide funding from the Mental Health Services Fund for counties that do not currently operate a Whole Person Care Pilot. Los Angeles County does not currently operate a pilot program.

<u>In-Home Supportive Services (IHSS) County Maintenance of Effort (MOE).</u> The May Budget Revision provides $296.7 million in statewide funding for Fiscal Year 2019-20, which is an increase of $55.0 million above the $241.7 million provided in the Proposed State Budget. This funding would grow to $615.3 million in Fiscal Year 2022-23, which is an increase of $68 million above the $547.3 million in the Proposed State Budget. The increase in funding reflects revised 1991-92 Realignment Program revenue projections and revised IHSS caseload and cost projections. This funding would allow the State to adjust the IHSS MOE to $1.56 billion and discontinue the redirection of 1991-92 Realignment Program revenue (vehicle license fees) from health and mental health to social services. The annual IHSS MOE inflation factor would be reduced from 7 percent to 4 percent beginning in Fiscal Year 2020-21.

<u>Infectious Disease.</u> The May Budget Revision provides $40.0 million in one-time statewide funding to slow infectious disease epidemics. The funding would be allocated to local public health departments and tribal communities over four years for prevention, testing and treatment services.

<u>Mental Health Workforce Investment.</u> The May Budget Revision provides $100.0 million in one-time statewide funding from the Mental Health Services Fund for a 2020-25 Workforce Education and Training Five-Year Plan to address the shortage of mental health professionals in the public health system.

<u>State Individual Mandate and Insurance Subsidies.</u> The May Budget Revision includes an individual mandate to require all eligible State residents to have health insurance or pay a financial penalty. The revenue generated from the penalty would be used to increase and expand subsidies for purchasing individual health insurance policies for those individuals earning up to 600 percent of the Federal poverty level. The May Budget Revision projects penalty revenues of $295.3 million in Fiscal

Year 2019-20, $330.3 million in Fiscal Year 2020-21 and $379.9 million in Fiscal Year 2021-22 to fund the individual health insurance subsidies for three years.

Paid Family Leave. The May Budget Revision proposes to expand the California Paid Family Leave Program administered through the State's Disability Fund to allow a maximum duration of a paid family leave benefit claim from six weeks to eight weeks for all bonding and care-giving claims, effective July 1, 2020. This expansion would add an additional month of paid leave for two-parent families, allowing up to a combined four months of leave after the birth or adoption of their child. The proposal will also allow claimants to take a full eight weeks to assist a family member for military deployment when that bill takes effect on January 1, 2021. The Governor is convening a task force to consider options to phase-in and expand paid family leave and consider policy issues including adjustment to the wage replacement rate, alignment of existing worker protections, and retaliation protections for employees who use the program. The task force's recommendations are expected to be ready for consideration in the Fiscal Year 2020-21 Proposed State Budget.

2020 Census Funding. The May Budget Revision maintains the $54.0 million of statewide funding in the Proposed State Budget to support outreach efforts and other census-related activities to complement the U.S. Census Bureau's 2020 Census Count.

Voting Systems Upgrade and Replacement. The May Budget Revision includes $87.3 million in one-time statewide funding to support voting systems upgrade and replacement, including $65.7 million to cover an additional 25 percent of the estimated vote center model costs for counties with over 50 precincts; $3.6 million to fully fund the polling place model costs for counties with 50 or fewer precincts; and $18.0 million for county election management system replacements.

California Earned Income Tax Credit. The May Budget Revision includes a proposal to expand the State's Earned Income Tax Credit (EITC) from $500 to $1,000, which is projected to increase the total cost of the EITC from $400 million to $1.2 billion per year, and be available to an estimated 3 million households.

Wildfire-Related Property Tax Revenue Losses. The May Budget Revision provides an additional $518,000 of one-time funding over the $31.3 million of funding in the Proposed State Budget to backfill revenue losses for cities, counties, and special districts as a result of the 2018 wildfires.

RECENT COUNTY BUDGETS

General County Budgets have reflected a conservative approach and have sought to maintain a stable budgetary outlook in an uncertain fiscal environment. As a result of the previous economic downturn, which started to impact the budget in Fiscal Year 2008-09, the County experienced a "cyclical" budget deficit, as revenues declined and spending on safety net programs and pension-related costs increased. The economic downturn had a significant impact on the NCC budget gap, which reached a peak of $491.6 million in Fiscal Year 2010-11. NCC is the portion of the County's budget that is financed with County discretionary funding (also known as locally generated revenues).

In order to manage the budget gaps, the County used a balanced approach of curtailing departmental budgets, and using reserves and capital funding appropriations to achieve a balanced budget. To control costs, the County achieved significant savings through its efficiency initiative program, and the implementation of a hiring freeze and a freeze on non-essential services, supplies and equipment, which ended as of July 1, 2013. The County eliminated 2,735 budgeted positions from Fiscal Year 2009-10 to Fiscal Year 2011-12, and the County's employee labor groups agreed to zero cost-of-living adjustments and no salary increases for a five-year period beginning in Fiscal Year 2008-09. If the County had relied solely on curtailments, the impact to County services and its residents would have been much more severe and most likely would have resulted in the reduction of critical services and the layoff of large numbers of County employees. The measured approach to managing budgetary challenges, including the use of one-time funding sources, enabled the County to more strategically achieve balanced budgets, and maintain critical core services.

Property Tax Revenue

Property tax revenue represents the largest source of ongoing discretionary revenue for the County. The reliability of property tax revenue is due in large part to Proposition 13, which helps insulate the County from the cyclical nature of the real estate market. Proposition 13 limits the growth of assessed valuations and allows for reassessments when a property is sold or when new construction occurs. Assessed valuation can also be adjusted for inflation or deflation. As a result of Proposition 13, there is a significant amount of "stored" home value appreciation that is not reflected on the property tax rolls, which helped to offset a significant decrease in property values during the most recent economic downturn.

To illustrate this point, average median home prices in the County declined by 48% from their peak value in August 2007 ($562,346) to a low in January 2012 ($290,015), but the net revenue-producing value of the property tax roll (the "Net Local Roll") decreased by only 0.51% and 1.87% in Fiscal Year 2009-10 and 2010-11, respectively. After the economic downturn, and with the ongoing recovery in the real estate market, the County has experienced eight consecutive years of steady growth in assessed valuation, with increases in the Net Local Roll of 1.36%, 2.20%, 4.66%, 5.47%, 6.13%, 5.58%, 6.04% and 6.62% in Fiscal Years 2011-12 through 2018-19, respectively.

For Fiscal Year 2018-19, the Assessor reported a Net Local Roll of $1.510 trillion, which represents an increase of 6.62% or $93.8 billion from Fiscal Year 2017-18. The Fiscal Year 2018-19 Net Local Roll represents the largest revenue-producing valuation in the history of the County, and the eighth consecutive year of assessed valuation growth. The largest factors contributing to the increase in assessed valuation in Fiscal Year 2018-19 are transfers in ownership ($47.6 billion), and an increase in the consumer price index ($26.6 billion).

For the Fiscal Year 2018-19 tax roll, the Assessor estimates that approximately 10.4% of all single-family residential parcels, 10.8% of all residential income parcels and 13.7% of commercial-industrial parcels are 1975 base-year parcels, which indicates a significant amount of stored value that can be realized on future tax rolls when these parcels are sold and re-assessed at higher values.

With the downturn in the real estate market that started in 2007, the County Assessor initiated Proposition 8 reviews of 791,000 parcels. As a result of the Assessor's proactive approach to

Proposition 8 reviews, the valuations of 552,000 parcels sold during the height of the real estate market were adjusted downward to reflect current market values at the time of the review. The lower valuations helped to insulate the County from future reductions in the Net Local Roll if these properties were re-sold at lower market values. In response to the improvement in the real estate market, and beginning with the Fiscal Year 2008-09 Assessment Roll, the Assessor initiated a review of the 552,000 parcels to determine if the reductions in assessed value were still warranted under Proposition 13. Based on this review, the Assessor has fully restored approximately 461,000 parcels to their Proposition 13 base year value, with 91,000 parcels still eligible for potential restorations in value.

On May 15, 2019, the Assessor released the Assessment Roll Forecast for Fiscal Year 2019-20. The Assessment Roll Forecast reflects a 5.8% or $87.6 billion increase from Fiscal Year 2018-19, resulting in a projected Net Local Roll of $1.6 trillion for Fiscal Year 2019-20. The primary factors driving the increase in the Net Local Roll are property transfers ($47.0 billion) and a 2.0% increase in the consumer price index ($28.5 billion). The Assessor is scheduled to release the final Assessment Roll for Fiscal Year 2019-20 in July 2019.

FISCAL YEAR 2018-19 FINAL ADOPTED BUDGET

The Fiscal Year 2018-19 Final Adopted Budget (the "2018-19 Final Adopted Budget") was approved by the Board of Supervisors on October 2, 2018. The 2018-19 Final Adopted Budget appropriates $32.8 billion, which reflects a $1.194 billion or 3.8% increase in total funding requirements from the Fiscal Year 2017-18 Final Adopted Budget. The General County Budget (General Fund and Hospital Enterprise Fund) appropriated $25.699 billion, which represents a $1.375 billion or 5.7% increase from the Fiscal Year 2017-18 Final Adopted Budget. The 2018-19 Final Adopted Budget appropriates $7.1 billion for Special Funds/District, reflecting a $182 million or 2.5% decrease from the Fiscal Year 2017-18 Final Adopted Budget.

The primary changes to the NCC component of the 2018-19 Final Adopted Budget are outlined in the following table.

Fiscal Year 2018-19 NCC Budget Changes

Public Assistance Changes	$ (1,515,000)
Unavoidable Cost Increases	
Health Insurance Subsidy	49,024,000
Pension Costs	43,027,000
Employee Salaries	170,689,000
Prefund Retiree Healthcare Benefits	25,000,000
Various Cost Changes	5,442,000
Program Changes	
Affordable Housing	15,000,000
Public Safety Programs	24,770,000
Debt Service	9,065,000
Other Changes	(6,023,000)
All Other Program Changes	21,315,000
Fiscal Policies	
Appropriation for Contingency	8,313,000
Deferred Maintenance	5,000,000
Total Net County Cost Increases	**369,107,000**
Revenue Changes	
Property Taxes	323,719,000
Property Taxes - CRA Dissolution Residual	24,715,000
Public Safety Sales Tax	6,684,000
Various Revenue Changes	13,989,000
Total Locally Generated Revenues	**369,107,000**
Total Projected Budget Gap	**$ -**

Public Assistance Changes

The decrease in funding for Public Assistance in the 2018-19 Final Adopted Budget is primarily related to a projected $2.3 million decrease in General Relief expenditures, as well as a $2.4 million net decrease primarily due to a reduction in the CalWORKS caseload. The cost decreases are partially offset by increases in a variety of other Public Assistance programs.

Unavoidable Cost Increases

Salaries and Employee Benefits - Unavoidable cost increases are primarily the result of approved salaries and employee benefit increases, and expected salary and benefit increases that are subject to negotiations with the County's collective bargaining units, which are expected to take effect in Fiscal Year 2018-19.

Prefund Retiree Healthcare Benefits – The 2018-19 Final Adopted Budget appropriates $182.9 million in pre-funding contributions to the OPEB Trust Fund. This appropriation is comprised of $75 million in NCC and $107.9 million in projected subvention revenue to be received from Federal, State and other local government entities. This is the fourth year of a multi-year plan approved by the Board of Supervisors on June 22, 2015 that is expected to incrementally increase the prefunding of retiree healthcare benefits on an annual basis.

Program Changes

The 2018-19 Final Adopted Budget includes $64.1 million of adjustments to various County programs, including increases for public safety and social services.

Fiscal Policies

The County budget policy (the "Budget Policy") requires the establishment of a Rainy Day Fund as a hedge against future economic uncertainties, with a target funding amount equivalent to 10% of ongoing locally generated revenues. The current balance of the Rainy Day Fund is $524.9 million, which is approximately 8.2% of discretionary revenues.

On September 30, 2014, the County updated the Budget Policy to require that between 5% to 10% of new ongoing discretionary revenues be set aside during the budget process in Appropriations for Contingencies as a hedge against unforeseen budget issues that may occur during any fiscal year. As part of the 2018-19 Final Adopted Budget, $38.1 million was set aside in Appropriations for Contingencies, which reflects 10% of new ongoing discretionary revenues. In addition, the revised Budget Policy requires that $5.0 million be allocated annually for deferred maintenance needs as part of the Recommended Budget.

Revenue Changes

As the local economy continues to improve, the County's primary revenue sources are expected to show continued growth in Fiscal Year 2018-19. The County is forecasting increases in a variety of locally generated revenues along with increases in statewide sales tax revenues. Based on the 6.62% increase in the Net Local Roll, the 2018-19 Final Adopted Budget includes a $323.7 million increase in property tax revenues. The 2018-19 Final Adopted Budget also includes a $24.7 million increase in the property tax residual from the dissolution of redevelopment agencies.

Based on current trends and a survey of local economic forecasts, the County assumed a 2.0% growth factor in its overall statewide sales tax projection for the 2018-19 Final Adopted Budget. Based on the 2.0% growth rate, the County is projecting a $6.7 million increase in Proposition 172 Sales Tax in Fiscal Year 2018-19.

FISCAL YEAR 2019-20 RECOMMENDED BUDGET

The Fiscal Year 2019-20 Recommended Budget (the "2019-20 Recommended Budget") was approved by the Board of Supervisors on April 16, 2019. The 2019-20 Recommended Budget appropriates $32.5 billion, which reflects a $299 million or 0.9% decrease in total funding requirements from the 2018-19 Final Adopted Budget. The General County Budget (General Fund and Hospital Enterprise Fund) appropriates $25.644 billion, which represents a $55 million or 0.2% decrease from the 2018-19 Final Adopted Budget. The 2019-20 Recommended Budget appropriates $6.856 billion for Special Funds/District, reflecting a $244 million or 3.4% decrease from the Fiscal Year 2018-19 Final Adopted Budget.

The primary changes to the ongoing NCC component of the 2019-20 Recommended Budget are outlined in the following table.

Fiscal Year 2019-20 NCC Budget Changes

Public Assistance Changes	$ 8,053,000
Unavoidable Cost Increases	
Health Insurance Subsidy	33,611,000
Pension Costs	63,094,000
Employee Salaries	129,234,000
Prefund Retiree Healthcare Benefits	25,000,000
Various Cost Changes	5,317,000
Program Changes	
Affordable Housing & Economic Development	15,200,000
Body-Worn Cameras	17,995,000
Correctional Health Services	10,000,000
Public Safety Programs	9,126,000
Debt Service	(2,982,000)
All Other Program Changes	22,574,000
Fiscal Policies	
Appropriations for Contingencies	(5,579,000)
Deferred Maintenance	5,000,000
Total Net County Cost Increases	**335,643,000**
Revenue Changes	
Property Taxes	294,259,000
Property Taxes - CRA Dissolution Residual	17,387,000
Public Safety Sales Tax	28,563,000
Various Revenue Changes	(4,566,000)
Total Locally Generated Revenues	**335,643,000**
Total Projected Budget Gap	**$ -**

Public Assistance Change

The increase in funding for Public Assistance in the 2019-20 Recommended Budget is primarily related to a projected $10.2 million increase in General Relief expenditures, partially offset by a net decrease in a variety of other Public Assistance programs.

Unavoidable Cost Increases

Salaries and Employee Benefits - Unavoidable cost increases are primarily the result of approved salaries and employee benefit increases, and expected salary and benefit increases that are subject to negotiations with the County's collective bargaining units.

Prefund Retiree Healthcare Benefits – The 2019-20 Recommended Budget appropriates $246.2 million in pre-funding contributions to the OPEB Trust Fund. This appropriation is comprised of $100.0 million in NCC and $146.2 million in projected subvention revenue received from Federal, State and other local government entities. This is the fifth year of a multi-year plan approved by the Board of Supervisors on June 22, 2015 that is expected to incrementally increase the prefunding of retiree healthcare benefits on an annual basis.

Program Changes

The 2019-20 Recommended Budget includes $71.9 million of adjustments to various programs in the 2018-19 Final Adopted Budget, including increases for public safety, social services and health and mental services.

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Fiscal Policies

The current balance of the Rainy Day Fund is $524.9 million, which is approximately 8.2% of ongoing discretionary revenues. The 2019-20 Recommended Budget includes a multi-year plan to fully fund the Rainy Day Fund by Fiscal Year 2021-22, which would require supplemental funding of approximately $117.4 million, or $39.1 million per year over the next three fiscal years. As part of the 2019-20 Recommended Budget $32.5 million was set aside in Appropriations for Contingencies, which reflects 10% of new ongoing discretionary revenues. The 2019-20 Recommended Budget also includes a $5 million allocation for deferred maintenance needs.

Revenue Changes

As the local economy continues to improve, the County's primary revenue sources are expected to experience continued growth in Fiscal Year 2019-20. The County is forecasting increases in a variety of locally generated revenues along with increases in statewide sales tax revenues. Based on the initial projected growth rate of the Assessment Roll in Fiscal Year 2019-20 of 5.72%, the 2019-20 Recommended Budget includes a $294.3 million increase in property tax revenues. The 2019-20 Recommended Budget also includes a $17.4 million increase in the property tax residual from the dissolution of redevelopment agencies.

Based on current trends and a survey of local economic forecasts, the County has assumed a 2.0% growth factor in its overall statewide sales tax projection for the 2019-20 Recommended Budget. Based on the 2.0% growth rate, the County is projecting a $28.6 million increase in Proposition 172 Sales Tax in Fiscal Year 2019-20.

HEALTH SERVICES BUDGET

The Department of Health Services ("DHS") provides vital inpatient acute care through four hospitals: LAC+USC Medical Center, Harbor-UCLA Medical Center, Olive View-UCLA Medical Center and Rancho Los Amigos National Rehabilitation Center. Two of the hospitals, LAC+USC Medical Center and Harbor-UCLA Medical Center, operate trauma centers and emergency rooms; Olive View-UCLA Medical Center provides emergency room services; and Rancho Los Amigos National Rehabilitation Center operates as an acute rehabilitation facility. Outpatient services are provided at all four hospitals as well as multiple other facilities, including one outpatient center, one regional health center, six comprehensive health centers, sixteen community health centers, and over 100 contracted Community Partner clinics located throughout the County. DHS also manages the emergency medical services system for the entire County. In collaboration with the University of Southern California and the University of California at Los Angeles, the County provides training for approximately 1,700 physician residents on an annual basis.

As a safety net provider, the County is the medical provider of last resort for indigent County residents. Historically, the cost of providing health services exceeds the combined total of DHS revenues, which requires annual subsidies from the County General Fund. DHS has been able to limit these subsidies by developing new revenue sources, implementing operational efficiencies, and using one-time reserve funds.

The financial condition of DHS has improved from prior years, primarily due to the implementation of the Affordable Care Act (the "ACA") in 2014, which significantly reduced the number of uninsured patients. In addition, revenues from prior and current Section 1115 Hospital Financing Waivers have provided DHS with an overall fiscal benefit. These two factors resulted in significantly reduced budgetary pressures on DHS. Furthermore, as explained below, Assembly Bill 85 ("AB 85") establishes a sum certain for the maintenance of effort ("MOE") requirement for the County's contribution to DHS, as well as providing additional revenue sources

Section 1115 Hospital Financing Waiver

On December 30, 2015, the Federal Centers for Medicaid and Medicare Services (CMS) approved the 2015 Section 1115 Hospital Financing Waiver (the "2015 Waiver"), which features programs designed to improve care for the State's Medi-Cal and uninsured patients. The primary features of the 2015 Waiver include:

- Public Hospital Redesign and Incentives in Medi-Cal ("PRIME") is a pay-for-performance delivery system transformation and alignment program.
- Global Payment Program ("GPP") is a payment reform program for services provided to uninsured patients in California's Public Health Care system.
- Whole Person Care ("WPC") is a series of pilot programs designed to provide more integrated care to the highest-risk and most vulnerable patients. The pilot programs are chosen based on a competitive application process. DHS has been awarded Federal funds for these programs, and to date, has collected a total of $246.6 million for calendar years 2016 through 2018.

The 2015 Waiver expires on December 31, 2020. DHS has been working with the California Department of Health Care Services ("DHCS") to develop the framework for a renewed Section 1115 Waiver, and possibly other types of waivers, to maximize future revenues. DHCS is currently developing a proposal to continue the GPP under a renewed Section 1115 Waiver. There is also a proposal to move the PRIME and WPC programs from the Section 1115 Waiver into Medi-Cal managed care.

Assembly Bill 85

Under AB 85, the State's funding mechanism for county health care and human services programs, which had been in place since the 1991-92 Realignment Program, was revised to account for the expected reduction in unreimbursed services for DHS patients pursuant to implementation of the ACA. AB 85 provides a mechanism for the State to redirect State health realignment funding to fund social service programs. The County negotiated its own agreement and separate funding formula with the State that is different from the other counties. The formula uses the entire DHS budget to determine if there are "excess" funds available for "redirection" of realignment revenue back to the State.

The amount of revenue redirection is reconciled to the formula two years after the close of each respective fiscal year. If there are "excess" funds determined by the funding formula, the sharing ratio for the excess amount of health care realignment revenue will be 80% State and 20% County. In general under the formula, if the County realizes higher revenue, the amount of redirection to the State will be higher as well, but cannot exceed the realignment amount received for a particular fiscal year. Conversely, if the County realizes less revenue, the amount of redirection to the State will also be less.

The final redirection amount for Fiscal Years 2013-14, 2014-15 and 2015-16 was $0, $365.5 million, and $314.3 million, respectively. The current projected redirection amounts for Fiscal Years 2016-17, 2017-18, and 2018-19 are $246.3 million, $187.1 million, and $0, respectively. The County will continue to work with the State to evaluate and update the redirection numbers and close out each fiscal year by the scheduled due dates.

In addition, AB 85 established an MOE funding requirement for an annual County General Fund contribution based on Fiscal Year 2012-13 funding levels, with increases to the MOE of one percent each subsequent fiscal year. The initial MOE funding requirement for Fiscal Year 2013-14 was $323.0 million. The MOE funding requirement for Fiscal Year 2019-20 is $346.3 million. The MOE provides a stable and ongoing source of funding for DHS from the County General Fund.

General Fund Contributions

The Fiscal Year 2019-20 NCC contribution to DHS is $1.003 billion, as shown in the chart below. The NCC contribution to DHS is comprised of multiple components, including the AB 85 MOE, other General Fund resources for specific programs, VLF Realignment Revenue, and Tobacco Settlement Revenue. The additional funding from the County General Fund for DHS programs related to correctional health services and other programs represents a strategic initiative by the Board of Supervisors to transfer specific services previously provided by other County departments to DHS, and is not related to cost increases as the result of budgetary pressures from DHS' operations.

DHS NCC Contribution
FY 2019-20 Adopted Budget
($ in millions)

	Amount
County General Fund - AB 85 MOE	$ 346.3
County General Fund - Correctional Health (A)	322.1
County General Fund - Specific Programs (B)	20.7
Vehicle License Fees Realignment	281.8
Tobacco Settlement Revenue	55.0
Transfers to Other Budget Units (C)	(23.1)
Total	$ 1,002.8

(A) Reflects the transfer of Correctional Health Services from the Sheriff and the Department of Mental Health to DHS, which was finalized in May 2017.

(B) Includes funding for Board initiatives, such as homeless services and health care for Probation youth.

(C) Includes the transfer for the In-Home Supportive Services Provider Health Care Plan.

General Fund Advances and Cash Flow

The County maintains separate Enterprise Funds to account for hospital services in various regions of the County, commonly referred to as the Hospital Funds. The County's General Fund provides cash advances to each of the Hospital Funds to provide for the net cash flow requirements of County hospitals. On a daily basis, the County reviews the cash inflows and outflows of the Hospital Funds and adjusts the amount of advances in order to provide the Hospital Funds with a minimal daily cash position of approximately $10.0 million.

The Federal and State governments are the primary sources of revenue for the Hospital Funds. As of April 30, 2019, the balance of General Fund cash advances to the Hospital Funds was $758.8 million. The County is currently projecting the June 30, 2019 balance of General Fund cash advances to the Hospital Funds to be $456.3 million, which would be an increase of $346.7 million from the June 30, 2018 balance of $109.6 million.

The increase in cash advances to the Hospital Funds is largely caused by a two-year delay in receiving CMS approval of methodologies related to two new funding programs. The prior revenue programs were on a one-year delay cycle and those programs expired on June 30, 2017. The new programs, the Quality Incentive Program ("QIP") and the Enhanced Payment Program ("EPP"), were approved by CMS for Fiscal Year 2017-18. The estimated values of QIP and EPP for Fiscal Year 2017-18 are $69.6 million and $391.6 million, respectively. However, because CMS has not yet approved the methodologies by which the counties can access these funds, there will be a two-year delay from the July 1, 2017 start date of the programs before the funds are received. DHS does not expect to receive the Fiscal Year 2017-18 funding for QIP and EPP until Fiscal Year 2019-20.

In addition to the funding sources described above, the County's General Fund also provides cash advances to the Hospital Funds for certain long-term receivables that are owed by the State to the hospitals. The receivables are associated with the Cost Based Reimbursement Clinics ("CBRC") program. Although the CBRC receivables are reliable assets, the collection process is contingent upon annual audits by the State. The State has preliminarily completed the audit for Fiscal Year 2016-17, with an estimated value of $54.2 million. The audit for Fiscal Year 2017-18 is pending at this time. As of April 24, 2019, the total estimated receivable balance for both years is $63.0 million. The County has recognized an equivalent reserve against the fund balance associated with the CBRC receivable since it is not currently available to fund the County's budgetary requirements. The CBRC receivable balance for Fiscal Year 2018-19 will be determined during the fiscal year-end closing process.

DHS Reserve Funds

In Fiscal Year 2017-18, DHS closed the year with a Fund Balance of $911.8 million, and is expected to close Fiscal Year 2018-19 with a Fund Balance of approximately $1.108 billion million. The Fund Balance is available to fund DHS operations in the future, as needed.

Managed Care

The EPP and QIP Programs were designed in collaboration with DHCS to replace other revenue programs that expired June 30, 2017. The QIP program provides value-based payments for the achievement of clinically-established quality measures for Medi-Cal managed care enrollees. The EPP establishes a pool to supplement the base rates received by public hospitals through their Medi-Cal managed care contracts.

Although DHS estimates the value of EPP at approximately $391.6 million for Fiscal Year 2017-18, the methodology for drawing down the EPP funds is still pending CMS approval. CMS has also approved four years of QIP with an annual COLA, and a State option to revisit the program in two years. The amount of QIP funding is estimated at approximately $69.6 million for Fiscal Year 2017-18. However, the methodology for how the funds will be allocated among the State's public hospitals has not been approved by CMS. Because approval by CMS is pending, the estimated revenues for these two programs could change materially.

The State submitted another proposal to CMS for approval to obtain additional payments for public hospitals related to Graduate Medical Education (GME) and Indirect Medical Education (IME) for Medi-Cal managed care beneficiaries. These proposed payments would cover Medi-Cal's share of the salaries and benefits of interns and residents receiving training at public hospitals, as well as certain indirect costs associated with their training. The estimated annual net revenue for GME and IME payments is $70.0 million. The effective date of the proposal would be January 2017, pending CMS approval.

Tobacco Settlement Revenue

In November 1998, the attorneys general of 46 states (including the State of California) and other territories reached agreement with the then four largest United States tobacco manufacturers to settle more than forty pending lawsuits brought by these public entities. The Master Settlement Agreement (the "MSA") requires the tobacco companies to make payments to the states in perpetuity, with the payments totaling an estimated $206 billion through 2025. California will receive 12.76%, or approximately $25.0 billion of the total settlement. In accordance with the terms of the MSA, the annual Tobacco Settlement Revenues ("TSRs") are subject to numerous adjustments, offsets and recalculation. While the County's share of the State settlement was initially expected to average approximately $100 million per year, the actual amount of TSRs received by the County has fluctuated significantly from year to year. Factors that impact the annual payments to the State include actions of the Federal government, overall declines in smoking participation rates, reduction in cigarette sales and declining market share among the participating manufacturers in the MSA, lawsuits, tobacco company bankruptcies, and various adjustments under the terms of the MSA.

In February 2006, the County issued $319.8 million in tax-exempt Tobacco Settlement Asset-Backed Bonds (the "Tobacco Bonds"). The Tobacco Bonds are secured and payable from 25.9% of the County's TSRs beginning in 2011, which represented the initial year for the payment of debt service on the Tobacco Bonds. The proceeds from the sale of the Tobacco Bonds were used to finance a portion of the construction costs related to the LAC+USC Medical Center, as well as to partially insure against the risk of a significant reduction of the County's ongoing TSRs as a result of the various factors described above. The use of this fixed percentage of TSRs as security for the repayment of the Tobacco Bonds is not expected to materially impact the DHS programs that rely on such revenues for funding.

To date there have been multiple legal challenges to the MSA under a variety of claims, including claims on anti-trust and Commerce Clause grounds. None of these lawsuits has been successful or resulted in the termination of the original agreement. However, previous actions by certain participating manufacturers have reduced the settlement funding received by the State and may adversely impact future payments. Given the terms of the MSA, the fiscal impact to the County of future protests and payment adjustments to the MSA cannot be predicted at this time.

Neither the MSA nor the Memorandum of Understanding restricts the use of the County's settlement funds to any specific purpose. Proceeds received by the County from the settlement have been deposited in the County's General Fund and unused amounts have been set aside as obligated fund balance Committed for Health Services-Tobacco Settlement. In Fiscal Year 2018-19, the County received $74.637 million in TSRs from the participating manufacturers. The distribution of TSRs to the County are net of the 25.9% of TSRs pledged for the repayment of the Tobacco Bonds, which have been deposited with a trustee for the payment of debt service on the Tobacco Bonds.

BUDGET TABLES

The 2019-20 Recommended Budget is supported by $6.010 billion in property tax revenue, $4.967 billion in Federal funding, $6.636 billion in State funding, $187 million in cancelled obligated fund balance, $1.466 billion in Fund Balance and $6.378 billion from other funding sources. The tables on the following pages provide historical detail on General County budget appropriations, along with a summary and comparison of the 2019-20 Recommended Budget with the 2018-19 Final Adopted Budget.

County of Los Angeles: General County Budget
Historical Appropriations by Fund
(in thousands)

Fund	Final 2014-15	Final 2015-16	Final 2016-17	Final 2017-18	Final 2018-19	Recommended 2019-20
General Fund	$ 17,782,636	$ 18,532,749	$ 19,589,641	$ 20,856,959	$ 22,476,283	$ 22,369,407
Hospital Enterprise Fund	3,165,359	3,195,948	3,401,444	3,466,796	3,222,338	3,274,262
Total General County Budget	**$ 20,947,995**	**$ 21,728,697**	**$ 22,991,085**	**$ 24,323,755**	**$ 25,698,621**	**$ 25,643,669**

County of Los Angeles: General County Budget
Historical Funding Requirements and Revenue Sources

	Final 2014-15	Final 2015-16	Final 2016-17	Final 2017-18	Final 2018-19	Recommended 2019-20
Requirements						
Social Services	$ 6,206,407	$ 6,446,374	$ 6,859,438	$ 7,200,237	$ 7,308,903	$ 7,537,724
Health	6,373,399	6,590,413	7,135,235	8,040,428	8,790,802	8,806,366
Justice	5,442,540	5,674,407	5,973,130	5,823,573	6,019,196	6,206,071
Other	2,925,649	3,017,503	3,023,282	3,259,517	3,579,720	3,093,508
Total	**$ 20,947,995**	**$ 21,728,697**	**$ 22,991,085**	**$ 24,323,755**	**$ 25,698,621**	**$ 25,643,669**
Revenue Sources						
Property Taxes	$ 4,467,240	$ 4,765,596	$ 5,031,658	$ 5,331,727	$ 5,676,729	$ 6,009,794
State Assistance	5,366,757	5,542,998	5,965,914	6,290,778	6,545,048	6,635,737
Federal Assistance	4,184,128	4,236,481	4,499,196	4,931,647	4,977,992	4,966,756
Other	6,929,870	7,183,622	7,494,317	7,769,603	8,498,852	8,031,382
Total	**$ 20,947,995**	**$ 21,728,697**	**$ 22,991,085**	**$ 24,323,755**	**$ 25,698,621**	**$ 25,643,669**

County of Los Angeles: General County Budget
Historical Summary of Funding Requirements by Budgetary Object and Available Financing
(in thousands)

	Final 2014-15	Final 2015-16	Final 2016-17	Final 2017-18	Final 2018-19	Recommended 2019-20
Financing Requirements						
Salaries & Employee Benefits	$ 10,353,404	$ 10,988,705	$ 11,537,805	$ 12,254,330	$ 12,983,488	$ 13,579,379
Services & Supplies	7,362,617	7,696,979	8,148,441	8,511,618	9,346,135	8,923,796
Other Charges	4,082,120	3,878,926	4,252,725	4,483,734	4,746,295	4,845,892
Capital Assets	946,383	864,488	868,341	951,628	1,160,603	1,007,455
Other Financing Uses	263,903	595,100	509,535	723,265	734,824	866,745
Appropriations for Contingencies	5,000	15,919	27,375	29,754	38,067	32,488
Interbudget Transfers[1]	(1,054,758)	(1,411,193)	(1,370,514)	(1,678,129)	(1,918,739)	(2,090,173)
Gross Appropriation	$ 21,958,669	$ 22,628,924	$ 23,973,708	$ 25,276,200	$ 27,090,673	$ 27,165,582
Less: Intrafund Transfers	990,638	1,008,980	1,063,876	1,259,379	1,588,349	1,607,498
Net Appropriation	$ 20,968,031	$ 21,619,944	$ 22,909,832	$ 24,016,821	$ 25,502,324	$ 25,558,084
Provision for Obligated Fund Balance						
General Reserve	$ -	$ -	$ -	$ -	$ -	$ -
Other	-	-	-	16,093	-	-
Assigned for Rainy Day Funds	24,274	31,414	27,882	39,000	46,810	-
Committed Fund Balance	(44,310)	77,339	53,371	251,841	149,487	85,585
Total Financing Requirements	**$ 20,947,995**	**$ 21,728,697**	**$ 22,991,085**	**$ 24,323,755**	**$ 25,698,621**	**$ 25,643,669**
Available Financing						
Fund Balance	$ 1,566,263	$ 1,750,126	$ 1,824,822	$ 1,982,626	$ 1,929,332	$ 1,465,870
Cancel Provision for Obligated Fund Balance	143,419	282,930	216,915	348,499	279,525	187,495
Property Taxes: Regular Roll	4,414,842	4,705,966	4,971,696	5,271,414	5,615,854	5,953,618
Supplemental Roll	52,398	59,630	59,962	60,313	60,875	56,176
Revenue	14,771,073	14,930,045	15,917,690	16,660,903	17,813,035	17,980,510
Total Available Financing	**$ 20,947,995**	**$ 21,728,697**	**$ 22,991,085**	**$ 24,323,755**	**$ 25,698,621**	**$ 25,643,669**

1 This amount includes certain non-program expenditures and revenues that are included in the budget for accounting purposes. Failure to exclude such amounts, totaling $2.1 billion in 2019-20, from the above table would give the impression that there are more resources than are actually available and artificially inflate General County appropriations

Source: Chief Executive Office

COUNTY OF LOS ANGELES
GENERAL COUNTY BUDGET
COMPARISON OF 2018-19 FINAL ADOPTED BUDGET TO 2019-20 RECOMMENDED BUDGET
Net Appropriation: By Function
(In thousands)

Function		2018-19 Final [1]		2019-20 Recommended [2]		Difference	Percentage Difference
REQUIREMENTS							
General							
General Government	$	1,411,291.0	$	1,184,836.0	$	(226,455.0)	-16.05%
General Services		814,497.0		686,617.0		(127,880.0)	-15.70%
Public Buildings		984,683.0		921,595.0		(63,088.0)	-6.41%
Total General	$	3,210,471.0	$	2,793,048.0	$	(417,423.0)	-13.00%
Public Protection							
Justice	$	5,686,577.0	$	5,895,883.0	$	209,306.0	3.68%
Other Public Protection		227,218.0		195,614.0		(31,604.0)	-13.91%
Total Public Protection	$	5,913,795.0	$	6,091,497.0	$	177,702.0	3.00%
Health and Sanitation		8,752,217.0		8,757,781.0		5,564.0	0.06%
Public Assistance		7,110,952.0		7,381,461.0		270,509.0	3.80%
Recreation and Cultural Services		409,462.0		391,009.0		(18,453.0)	-4.51%
Education		-		43,440.0		43,440.0	0.00%
Insurance and Loss Reserve		67,360.0		67,360.0		-	0.00%
Provision for Obligated Fund Balance		196,297.0		85,585.0		(110,712.0)	-56.40%
Appropriations for Contingencies		38,067.0		32,488.0		(5,579.0)	-14.66%
Total Requirements	**$**	**25,698,621.0**	**$**	**25,643,669.0**	**$**	**(54,952.0)**	**-0.21%**
AVAILABLE FUNDS							
Property Taxes	$	5,676,729.0	$	6,009,794.0	$	333,065.0	5.87%
Fund Balance		1,929,332.0		1,465,870.0		(463,462.0)	-24.02%
Cancelled Prior-Year Reserves		279,525.0		187,495.0		(92,030.0)	-32.92%
Intergovernmental Revenues							
State Revenues							
In-Lieu Taxes	$	401,421.0	$	415,927.0	$	14,506.0	3.61%
Homeowners' Exemption		19,000.0		19,000.0		-	0.00%
Public Assistance Subventions		886,143.0		921,571.0		35,428.0	4.00%
Other Public Assistance		2,290,257.0		2,428,799.0		138,542.0	6.05%
Public Protection		1,401,277.0		1,404,059.0		2,782.0	0.20%
Health and Mental Health		1,353,195.0		1,272,708.0		(80,487.0)	-5.95%
Capital Projects		150,604.0		147,607.0		(2,997.0)	-1.99%
Other State Revenues		43,151.0		26,066.0		(17,085.0)	-39.59%
Total State Revenues	$	6,545,048.0	$	6,635,737.0	$	90,689.0	1.39%
Federal Revenues							
Public Assistance Subventions	$	2,770,476.0	$	2,848,560.0	$	78,084.0	2.82%
Other Public Assistance		197,157.0		202,117.0		4,960.0	2.52%
Public Protection		102,845.0		72,112.0		(30,733.0)	-29.88%
Health and Mental Health		1,896,761.0		1,800,376.0		(96,385.0)	-5.08%
Capital Projects		105.0		-		(105.0)	-100.00%
Other Federal Revenues		10,648.0		43,591.0		32,943.0	309.38%
Total Federal Revenues	$	4,977,992.0	$	4,966,756.0	$	(11,236.0)	-0.23%
Other Governmental Agencies		47,066.0		27,904.0		(19,162.0)	-40.71%
Total Intergovenmental Revenues	$	11,570,106.0	$	11,630,397.0	$	60,291.0	0.52%
Fines, Forfeitures and Penalties		172,719.0		174,544.0		1,825.0	1.06%
Licenses, Permits and Franchises		59,771.0		59,753.0		(18.0)	-0.03%
Charges for Services		4,523,599.0		4,478,837.0		(44,762.0)	-0.99%
Other Taxes		229,675.0		224,521.0		(5,154.0)	-2.24%
Use of Money and Property		232,907.0		238,963.0		6,056.0	2.60%
Miscellaneous Revenues		464,961.0		559,055.0		94,094.0	20.24%
Operating Contribution from General Fund		559,297.0		614,440.0		55,143.0	9.86%
Total Available Funds	**$**	**25,698,621.0**	**$**	**25,643,669.0**	**$**	**(54,952.0)**	**-0.21%**

(1) Reflects the 2018-19 Final Adopted General County Budget approved by the Board of Supervisors on October 2, 2018
(2) Reflects the 2019-20 Recommended General County Budget approved by the Board of Supervisors on April 16, 2019

COUNTY OF LOS ANGELES
FINAL ADOPTED BUDGET 2018-19 GENERAL COUNTY BUDGET (1)
Net Appropriation: By Fund and Function
(In thousands)

Function	General Fund	Hospital Enterprise Fund	Total General County
REQUIREMENTS			
General			
General Government	$ 1,411,291.0	$ -	$ 1,411,291.0
General Services	814,497.0	-	814,497.0
Public Buildings	984,683.0	-	984,683.0
Total General	$ 3,210,471.0	$ -	$ 3,210,471.0
Public Protection			
Justice	$ 5,686,577.0	$ -	$ 5,686,577.0
Other Public Protection	227,218.0	-	227,218.0
Total Public Protection	$ 5,913,795.0	$ -	$ 5,913,795.0
Health and Sanitation	$ 5,529,879.0	$ 3,222,338.0	$ 8,752,217.0
Public Assistance	7,110,952.0	-	7,110,952.0
Recreation and Cultural Services	409,462.0	-	409,462.0
Education	-	-	-
Insurance and Loss Reserve	67,360.0	-	67,360.0
Provision for Obligated Fund Balance	196,297.0	-	196,297.0
Appropriation for Contingency	38,067.0	-	38,067.0
Total Requirements	**$ 22,476,283.0**	**$ 3,222,338.0**	**$ 25,698,621.0**
AVAILABLE FUNDS			
Property Taxes	$ 5,676,729.0	$ -	$ 5,676,729.0
Fund Balance	1,929,332.0	-	1,929,332.0
Cancel Provision for Obligated Fund Balance	222,629.0	56,896.0	279,525.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	$ 401,421.0	$ -	$ 401,421.0
Homeowners' Exemption	19,000.0	-	19,000.0
Public Assistance Subventions	886,143.0	-	886,143.0
Other Public Assistance	2,290,257.0	-	2,290,257.0
Public Protection	1,401,277.0	-	1,401,277.0
Health and Mental Health	1,299,237.0	53,958.0	1,353,195.0
Capital Projects	150,604.0	-	150,604.0
Other State Revenues	43,151.0	-	43,151.0
Total State Revenues	6,491,090.0	53,958.0	6,545,048.0
Federal Revenues			
Public Assistance Subventions	$ 2,766,788.0	$ 3,688.0	$ 2,770,476.0
Other Public Assistance	197,157.0	-	197,157.0
Public Protection	102,845.0	-	102,845.0
Health and Mental Health	1,572,484.0	324,277.0	1,896,761.0
Capital Projects	105.0	-	105.0
Other Federal Revenues	10,648.0	-	10,648.0
Total Federal Revenues	$ 4,650,027.0	$ 327,965.0	$ 4,977,992.0
Other Governmental Agencies	47,066.0	-	47,066.0
Total Intergovenmental Revenues	$ 11,188,183.0	$ 381,923.0	$ 11,570,106.0
Fines, Forfeitures and Penalties	172,719.0	-	172,719.0
Licenses, Permits and Franchises	59,645.0	126.0	59,771.0
Charges for Services	2,586,492.0	1,937,107.0	4,523,599.0
Other Taxes	229,675.0	-	229,675.0
Use of Money and Property	232,793.0	114.0	232,907.0
Miscellaneous Revenues	178,086.0	286,875.0	464,961.0
Operating Contribution from General Fund	-	559,297.0	559,297.0
Total Available Funds	**$ 22,476,283.0**	**$ 3,222,338.0**	**$ 25,698,621.0**

(1) Reflects the 2018-19 Final Adopted General County Budget approved by the Board of Supervisors on October 2, 2018

COUNTY OF LOS ANGELES
RECOMMENDED BUDGET 2019-20 GENERAL COUNTY BUDGET (1)
Net Appropriation: By Fund and Function
(In thousands)

Function	General Fund	Hospital Enterprise Fund	Total General County
REQUIREMENTS			
General			
General Government	$ 1,184,836.0	$ -	$ 1,184,836.0
General Services	686,617.0	-	686,617.0
Public Buildings	921,595.0	-	921,595.0
Total General	$ 2,793,048.0	$ -	$ 2,793,048.0
Public Protection			
Justice	$ 5,895,883.0	$ -	$ 5,895,883.0
Other Public Protection	195,614.0	-	195,614.0
Total Public Protection	$ 6,091,497.0	$ -	$ 6,091,497.0
Health and Sanitation	$ 5,483,519.0	$ 3,274,262.0	$ 8,757,781.0
Public Assistance	7,381,461.0	-	7,381,461.0
Recreation and Cultural Services	391,009.0	-	391,009.0
Education	43,440.0	-	43,440.0
Insurance and Loss Reserve	67,360.0	-	67,360.0
Provision for Obligated Fund Balance	85,585.0	-	85,585.0
Appropriation for Contingency	32,488.0	-	32,488.0
Total Requirements	**$ 22,369,407.0**	**$ 3,274,262.0**	**$ 25,643,669.0**
AVAILABLE FUNDS			
Property Taxes	$ 6,009,794.0	$ -	$ 6,009,794.0
Fund Balance	1,465,870.0	-	1,465,870.0
Cancel Provision for Obligated Fund Balance	23,565.0	163,930.0	187,495.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	$ 415,927.0	$ -	$ 415,927.0
Homeowners' Exemption	19,000.0	-	19,000.0
Public Assistance Subventions	921,571.0	-	921,571.0
Other Public Assistance	2,428,799.0	-	2,428,799.0
Public Protection	1,404,059.0	-	1,404,059.0
Health and Mental Health	1,225,456.0	47,252.0	1,272,708.0
Capital Projects	147,607.0	-	147,607.0
Other State Revenues	26,066.0	-	26,066.0
Total State Revenues	6,588,485.0	47,252.0	6,635,737.0
Federal Revenues			
Public Assistance Subventions	$ 2,848,560.0	$ -	$ 2,848,560.0
Other Public Assistance	202,117.0	-	202,117.0
Public Protection	72,112.0	-	72,112.0
Health and Mental Health	1,525,246.0	275,130.0	1,800,376.0
Capital Projects	-	-	-
Other Federal Revenues	43,591.0	-	43,591.0
Total Federal Revenues	$ 4,691,626.0	$ 275,130.0	$ 4,966,756.0
Other Governmental Agencies	27,904.0	-	27,904.0
Total Intergovenmental Revenues	$ 11,308,015.0	$ 322,382.0	$ 11,630,397.0
Fines, Forfeitures and Penalties	174,544.0	-	174,544.0
Licenses, Permits and Franchises	59,627.0	126.0	59,753.0
Charges for Services	2,700,057.0	1,778,780.0	4,478,837.0
Other Taxes	224,521.0	-	224,521.0
Use of Money and Property	238,508.0	455.0	238,963.0
Miscellaneous Revenues	164,906.0	394,149.0	559,055.0
Operating Contribution from General Fund	-	614,440.0	614,440.0
Total Available Funds	**$ 22,369,407.0**	**$ 3,274,262.0**	**$ 25,643,669.0**

(1) Reflects the 2019-20 Recommended General County Budget approved by the Board of Supervisors on April 16, 2019

COUNTY OF LOS ANGELES
CALIFORNIA

PROPERTY TAX RATE, VALUATION AND LEVY

Taxes are levied each fiscal year on taxable real and personal property located in the County as of the preceding January 1st. Upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a “floating lien date”). For assessment and collection purposes, property is classified either as “secured” or “unsecured”, and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State assessed property and property secured by a lien on real property which is sufficient, in the opinion of the Assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of “situs” growth in assessed value (new construction, change of ownership, and inflation) prorated among the jurisdictions which serve the tax areas where the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special districts.

PAYMENT DATES AND LIENS

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, with a ten percent penalty assessed to any delinquent payments. Any property on the secured roll with delinquent taxes as of July 1 is declared tax-defaulted. Such property taxes may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and a redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the County Treasurer and Tax Collector.

Property taxes on the unsecured roll are due as of the January 1st lien date and become delinquent, if unpaid, by August 31st. A ten percent penalty attaches to delinquent property taxes on the unsecured roll, and an additional penalty of one and one-half percent per month begins to accrue on November 1st. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency in the County Recorder’s office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the taxpayer.

LARGEST TAXPAYERS

The twenty largest taxpayers in the County included on the Fiscal Year 2018-19 secured tax roll, and the approximate amounts of their aggregate levies for all taxing jurisdictions within the County are shown below. Property owned by the twenty largest taxpayers had a full cash value of $43,732,764,353 which constitutes only 3.00% of the total full cash value for the entire County.

Taxpayer	Total Tax Levy 2018-19
Southern California Edison Co	$ 107,915,011
Douglas Emmett Residential	46,922,323
Maguire Properties	45,459,883
Southern California Gas Company	32,903,821
Universal Studios LLC	31,830,653
Chevron USA Inc / TEXACO / UNOCAL	27,527,916
TESORO Refining and Marketing Co	27,476,942
Tishman Speyer / Archstone Smith / ASN	26,879,213
Prologis / AMB	23,700,008
AT&T Communications	22,001,125
Kaiser Foundation	18,752,956
ESSEX Portfolio LP	17,869,061
Phillips 66	17,213,857
Torrance Refining Company LLC	13,564,415
Cedars Sinai Medical Center	12,469,724
Beacon Oil Co / Ultramar / Valero Energy Corporation	12,128,579
Macerich / Westside Pavilion	11,926,522
FSP South Flower Street	11,550,798
Westifield Topanga Owners LP	11,405,298
CBS Inc / Paramount Pictures Corp	10,957,434
	$ 530,455,539

Total may not add due to rounding.
Source: Los Angeles County Treasurer and Tax Collector

PROPERTY TAXATION AND COLLECTIONS

The table on the following page compares the full cash values, property tax levies and collections from Fiscal Years 2014-15 through 2018-19.

COUNTY OF LOS ANGELES
COMPARISON OF FULL CASH VALUE
PROPERTY TAXATION AND COLLECTIONS
FISCAL YEARS 2014-15 THROUGH 2018-19

Fiscal Year	Full Cash Value [(1)]	General Fund Secured Property Tax Levies	General Fund Secured Property Tax Collections [(2)]	Current Collection As a Percent of Levies %
2014-15	$ 1,146,946,428,176	$ 2,814,475,757	$ 2,773,124,193	98.53%
2015-16	1,218,549,285,645	2,951,107,847	2,919,629,056	98.93%
2016-17	1,287,688,313,197	3,144,947,550	3,097,916,528	98.50%
2017-18	1,366,276,412,160	3,315,398,792	3,277,406,885	98.85%
2018-19	1,456,853,755,643	3,526,015,778	3,485,610,363 [(3)]	98.85% [(3)]

(1) Full cash values reflect the equalized assessment roll as reported in August of each year; mid-year adjustments are reflected in the following year's values. Incremental full cash values of properties within project areas designated by community redevelopment agencies are excluded. See "Redevelopment Agencies".
(2) Reflects collection within the fiscal year originally levied.
(3) Preliminary estimate based on Fiscal Year 2017-18 collections.

REDEVELOPMENT AGENCIES

Pursuant to ABX1 26 (the "Redevelopment Dissolution Act"), all redevelopment agencies were dissolved effective February 1, 2012. ABX1 26 prohibited redevelopment agencies from engaging in new business, provided for their eventual wind down and dissolution, and required that successor agencies be created to take over from the former agencies. Any tax increment remaining after the payment of enforceable legal obligations, pass-through payments and limited administrative costs will be distributed as property tax revenue to the appropriate taxing entities, including the County. Prior to their dissolution, the estimated annual tax increment to fund redevelopment agencies in the County was approximately $453.0 million. A more detailed discussion of the redevelopment agency dissolution is provided in the Budgetary Information section of this Appendix A.

The following table shows full cash value increments and total tax allocations to community redevelopment agencies for Fiscal Years 2014-15 through 2018-19.

COMMUNITY REDEVELOPMENT AGENCY (CRA)
PROJECTS IN THE COUNTY OF LOS ANGELES
FULL CASH VALUE AND TAX ALLOCATIONS
FISCAL YEARS 2014-15 THROUGH 2018-19

Fiscal Year	Full Cash Value Increments [(1)]	Total Tax Allocations [(2)]
2014-15	$ 159,180,996,812	$ 1,327,392,835
2015-16	171,855,943,160	1,519,643,764
2016-17	184,568,536,419	1,539,743,198
2017-18	197,952,598,205	1,716,496,079
2018-19	214,839,204,602	1,436,151,741 [(3)]

(1) Equals the full cash value for all redevelopment project areas above their base year valuations. This data represents growth in full cash values which generates tax revenues for use by former community redevelopment agencies and their successor agencies created under ABX1 26.
(2) Includes actual cash revenues collected by the County and subsequently paid to redevelopment agencies, which includes incremental growth allocation, debt service, mid-year changes and Supplemental Roll.
(3) Total CRA Tax Allocations from November 2018 through June 2019.

CASH MANAGEMENT PROGRAM

County General Fund expenditures tend to occur in level amounts throughout the fiscal year. Conversely, receipts from the two largest sources of County revenue follow an uneven pattern, primarily as a result of unpredictable delays in payments from other governmental agencies and the significant amount of secured property tax revenue received close to the December and April due dates for the first and second installments, respectively.

As a result of the uneven pattern of revenue receipts, the General Fund cash balance prior to Fiscal Year 1977-78 had typically been negative for most of the year and had been covered in part by interfund borrowings pursuant to Section 6 of Article XVI of the California Constitution. "Interfund borrowing" is borrowing from specific funds of other governmental entities whose funds are held in the County Treasury. Because such borrowings caused disruptions in the General Fund's management of pooled investments, beginning in 1977, the County eliminated the practice of interfund borrowing and replaced it with a program to manage its cash flow needs by issuing tax and revenue anticipation notes (TRANs) for the General Fund and by using intrafund borrowing.

The use of "intrafund borrowing" for General Fund purposes represents borrowing against funds that are held in trust by the County. Such funds, with the exception of the Hospital Enterprise Funds, are held by the County on a pre-apportionment basis until they are eventually distributed to County operating funds (such as the General Fund) or other governmental agencies. All intrafund borrowings used for General Fund purposes, and all notes issued in connection with the County's cash management program have been repaid in accordance with their required maturity dates.

2018-19 Tax and Revenue Anticipation Notes

Pursuant to California law and a resolution adopted by the Board of Supervisors on May 15, 2018, the County issued the 2018-19 TRANs with an aggregate principal amount of $700,000,000 due on June 28, 2019. The 2018-19 TRANs are general obligations of the County attributable to Fiscal Year 2018-19 and are secured by a pledge of certain unrestricted taxes, income, revenue, cash receipts and other moneys of the County.

Under the Resolution and Financing Certificate executed by the Treasurer and Tax Collector, the County pledged to deposit sufficient revenues into a Repayment Fund during Fiscal Year 2018-19 for the purpose of repaying the 2018-19 TRANs on the June 28, 2019 maturity date. The deposits to the Repayment Fund have been made in accordance with the following schedule:

COUNTY OF LOS ANGELES
2018-19 TAX AND REVENUE ANTICIPATION NOTES
SCHEDULE OF DEPOSITS TO REPAYMENT FUND*

Deposit Date	**Deposit Amount**
December, 2018	$315,000,000
January, 2019	315,000,000
April, 2019	97,688,889
Total	$727,688,889

* Includes $700,000,000 of 2018-19 TRANs principal and 4.00% interest.

The County has always maintained full compliance with its deposit obligations with respect to its TRANs program. The following table illustrates the Unrestricted General Fund Receipts collected on a cash flow basis from Fiscal Year 2014-15 to Fiscal Year 2018-19.

COUNTY OF LOS ANGELES
GENERAL FUND
UNRESTRICTED GENERAL FUND RECEIPTS (in thousands)

	2014-15	2015-16	2016-17	2017-18	2018-19 Estimate
Property Taxes	$ 4,581,797	$ 4,806,915	$ 5,077,037	$ 5,391,435	$ 5,830,338
Other Taxes	204,173	215,228	225,297	224,051	223,869
Licenses, Permits and Franchises	58,488	58,908	60,487	62,683	63,698
Fines, Forfeitures and Penalties	197,663	182,298	178,105	178,502	172,034
Investment and Rental Income	131,053	165,037	178,804	232,312	260,237
State In-Lieu Taxes	407,316	356,888	303,768	205,293	160,594
State Homeowner Exemptions	20,277	19,892	19,673	19,312	19,244
Charges for Current Services	1,577,165	1,597,095	1,792,303	1,801,784	1,900,898
Other Revenue*	622,329	685,637	746,748	620,557	893,321
TOTAL UNRESTRICTED RECEIPTS	$ 7,800,261	$ 8,087,898	$ 8,582,222	$ 8,735,929	$ 9,524,232

Detail may not add due to rounding.
Source: Los Angeles County Chief Executive Office
* Includes Tobacco Settlement Revenue

Intrafund and Interfund Borrowing

To the extent necessary, the County intends to use intrafund (and not interfund) borrowing to cover its General Fund cash needs, including projected year-end cash requirements. If the County determines that it is necessary to utilize interfund borrowing, then such borrowing may not occur after the last Monday in April of each fiscal year and must be repaid before any other obligation of the County. The County does not intend to engage in interfund borrowing for the General Fund nor has it done so since the implementation of the General Fund cash management program in Fiscal Year 1977-78.

Funds Available for Intrafund Borrowing

After the tax and revenue anticipation note proceeds are utilized, the General Fund may borrow from three fund groups to meet its cash flow needs. The most significant group is the Property Tax Group, which consists of collected property taxes that are awaiting apportionment. The great majority of these amounts will be distributed to other governmental agencies such as school districts.

The second most significant borrowing source includes the various Trust Group funds. The largest of these funds is the Departmental Trust Fund, which consists of various collections, such as court fines and other revenues, awaiting distribution. The majority of these funds will eventually be distributed to entities outside the County. Also included in this group is the Payroll Revolving Fund, which is used as a clearing account for County payroll operations and has a cash balance that consists exclusively (except for a small portion related to the County Superior Court) of advances from funds included in the General County Budget.

The last fund group consists of the Hospital Enterprise Funds. The balances in these funds are different from those in the Property Tax Group and Trust Group in that the Hospital Enterprise Funds are included in the General County Budget. Furthermore, these funds are considered as part of the General Fund for purposes of sizing the County's annual TRANs financing.

The Hospital Enterprise Funds generally represent working capital advances from the General Fund and cash generated from the County hospitals. At year-end, the remaining balances are transferred back to the General Fund.

The average daily balances shown for these intrafund sources are not necessarily indicative of the balances on any given day. The balances in certain funds, such as those in the Property Tax Group, can fluctuate significantly throughout the month. The General Fund cash balance also fluctuates during the month, with the third week being the lowest and month-end the highest due to the timing of revenue deposits from the State and the receipt of welfare advances on the last business day of the month.

The legality of the County's practice of intrafund borrowing was decided and affirmed by the California Court of Appeals in May 1999, in the case entitled *Stanley G. Auerbach et al v. Board of Supervisors of the County of Los Angeles et al*.

The tables at the end of this Financial Summary Section provide a monthly summary of the funds available to the County for intrafund borrowing in Fiscal Year 2017-18 and Fiscal Year 2018-19.

General Fund Cash Flow Statements

The Fiscal Year 2017-18 and Fiscal Year 2018-19 General Fund Cash Flow Statements are provided at the end of this Financial Summary Section. In Fiscal Year 2017-18, the County had an ending General Fund cash balance of $2.359 billion. In Fiscal Year 2018-19, the County is estimating an ending cash balance in the General Fund of $1.291 billion.

COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector has delegated authority to invest funds on deposit in the County Treasury Pool (the "Treasury Pool"). As of March 31, 2019, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

Local Agency		Invested Funds (in Billions)
County of Los Angeles and		
Special Districts	$	13.052
Schools and Community Colleges		15.606
Independent Public Agencies		2.690
Total	$	31.348

Of these entities, the discretionary participants accounted for 8.57% of the total Treasury Pool.

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 19, 2019, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments (the Investment Report) summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated April 30, 2019, the book value of the Treasury Pool as of March 31, 2019 was approximately $31.348 billion and the corresponding market value was approximately $31.189 billion.

The County maintains a strong system of internal controls for monitoring the cash accounting and investment process. The Treasurer's Internal Controls Branch (ICB) operates independently from the Investment Office, and reconciles cash and investments to fund balances on a daily basis. ICB staff also reviews each investment trade for accuracy and compliance with the Board of Supervisor's adopted Investment Policy. On a quarterly basis, the County's external independent auditor (the "External Auditor") reviews the cash and investment reconciliations for completeness and accuracy, and reviews investment transactions to ensure compliance with the Investment Policy.

The following table identifies the types of securities held by the Treasury Pool as of March 31, 2019:

Type of Investment	% of Pool
Certificates of Deposit	6.54
U.S. Government and Agency Obligations	64.84
Bankers Acceptances	0.00
Commercial Paper	28.06
Municipal Obligations	0.11
Corporate Notes & Deposit Notes	0.45
Repurchase Agreements	0.00
Asset Backed Instruments	0.00
Other	0.00
	100.00

The Treasury Pool is highly liquid. As of March 31, 2019, approximately 39.68% of the investments mature within 60 days, with an average of 526 days to maturity for the entire portfolio.

The County complements its conservative investment policies with a well-established practice of market research and due diligence. The Treasury Pool did not experience a single investment loss as a result of the global financial crisis in Fiscal Year 2008-09. Furthermore, the County has never purchased any structured investment vehicles nor any securities with material exposure to sub-prime mortgages.

FINANCIAL STATEMENTS-GAAP BASIS

Since Fiscal Year 1980-81, the County has prepared its general purpose financial statements in conformity with Generally Accepted Accounting Principles (GAAP) for State and local governments, with annual audits performed by independent certified public accountants.

The basic financial statements for the Fiscal Year ended June 30, 2018, and the unmodified opinion of Macias Gini & O'Connell LLP are attached hereto as Appendix B. Since 1982, the County CAFRs have received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

The County budget for the upcoming fiscal year is prepared in accordance with the County Budget Act prior to the issuance of GAAP financial statements for the current fiscal year. The 2018-19 Final Adopted Budget included an available General Fund balance of $1,929,332,000 as of June 30, 2018.

The 2018-19 Final Adopted Budget uses the fund balance language of the County Budget Act, which has been updated to reflect Governmental Accounting Standards Board (GASB) Statement No. 54.

The amounts presented for the General Fund in accordance with GAAP are based on the modified accrual basis of accounting and differ from the amounts presented on the budgetary basis of accounting. The major areas of difference are described as follows:

- For budgetary purposes, nonspendable, restricted, committed and assigned fund balances and the portion of unassigned fund balance reserved for the "Rainy Day" fund are recorded as other financing uses at the time they are established. The County recognizes them as uses of budgetary fund balance. The nonspendable, restricted, committed, and assigned fund balances that are subsequently cancelled or otherwise made available are recorded as changes in fund balance from other financing sources.

- Under the budgetary basis of accounting, revenues (primarily intergovernmental) are recognized at the time encumbrances are established for certain programs and capital improvements. The intent of the budgetary policy is to match the use of budgetary resources (for amounts encumbered but not yet expended) with funding sources that will materialize as revenues when actual expenditures are incurred. Under the modified accrual basis, revenues are not recognized until the qualifying expenditures are incurred and amounts are collected within the County's availability period.

- General Fund obligations for accrued compensated absences and estimated liabilities for litigation and self-insurance are recorded as budgetary expenditures to the extent that they are estimated to be payable within a one -year period after the fiscal year end. Under the modified accrual basis of accounting, such expenditures are not recognized until they become due and payable in accordance with GASB Interpretation No. 6.

- In conjunction with the sale of Tobacco Settlement Asset-Backed Bonds in 2005-06, the County sold a portion of its future tobacco settlement revenues. Under the budgetary basis of accounting, the bond proceeds were recognized as revenues. Under the modified accrual basis of accounting, the bond proceeds were recorded as deferred inflows of resources and were being recognized over the duration of the sale agreement, in accordance with GASB Statements No. 48 and No. 65. This matter is discussed in further detail in Note 11 to the 2017-18 CAFR, under the caption, "Tobacco Settlement Asset-Backed Bonds."

- Under the budgetary basis of accounting, property tax revenues are recognized to the extent that they are collectible within a one-year period after the fiscal year end. Under the modified accrual basis of accounting, property tax revenues are recognized only to the extent that they are collectible within 60 days.

- For budgetary purposes, investment income is recognized prior to the effect of changes in the fair value of investments. Under the modified accrual basis of accounting, the effects of such fair value changes have been recognized as a component of investment income.

- The County determined that certain assets were held by LACERA (as the OPEB administrator) in an OPEB Agency Fund. For budgetary purposes, any excess payments (beyond the pay-as-you-go amount) are recognized as expenditures. Under the modified accrual basis of accounting, the expenditures are adjusted to recognize the OPEB Agency assets as of June 30, 2018.

The tables below provide a reconciliation of the General Fund's June 30, 2018 fund balance on a budgetary and GAAP basis, and a summary of the audited Balance Sheets and Statements of Revenues and Expenditures and Changes in Fund Balance from Fiscal Year 2013-14 to Fiscal Year 2017-18.

COUNTY OF LOS ANGELES
GENERAL FUND
RECONCILIATION OF FUND BALANCE FROM BUDGETARY TO GAAP BASIS
JUNE 30, 2018 (in thousands of $)

Unassigned Fund Balance - Budgetary Basis	$1,929,332
Adjustments:	
Accrual of budgetary liabilities for litigation and self-insurance claims not required by GAAP	173,934
Change in receivables for health insurers rebates held in LACERA OPEB Agency Fund	179,838
Accrual of liabilities for accrued compensated absences not required by GAAP	81,756
Change in revenue accruals	39,106
Deferral of property tax receivables	(79,516)
Deferral of sale of tobacco settlement revenue	(222,747)
Change in fair value of Investments	(83,890)
Reserve for "Rainy Day" Fund	478,063
Unassigned Fund Balance - GAAP Basis	$2,495,876

Source: Los Angeles County Auditor-Controller

COUNTY OF LOS ANGELES

BALANCE SHEET AT JUNE 30, 2014, 2015, 2016, 2017 and 2018
GENERAL FUND-GAAP BASIS (in thousands of $)

	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
ASSETS					
Pooled Cash and Investments	$1,933,794	$2,678,685	$3,181,151	$4,149,612	$4,386,386
Other Investments	4,810	4,655	4,693	4,483	4,241
Taxes Receivable	169,141	157,215	148,485	159,429	173,423
Other Receivables	1,996,683	1,888,537	1,875,029	1,930,937	1,969,867
Due from Other Funds	283,255	460,987	322,883	308,556	665,194
Advances to Other Funds	885,314	434,849	395,511	167,179	124,840
Inventories	56,790	48,186	59,267	48,824	52,964
Total Assets	$5,329,787	$5,673,114	$5,987,019	$6,769,020	$7,376,915
LIABILITIES					
Accounts Payable	$516,410	$410,671	$545,739	$600,827	$540,193
Accrued Payroll	331,045	356,579	374,951	392,096	422,519
Other Payables	111,019	115,998	100,964	102,289	111,361
Due to Other Funds	158,626	271,800	146,886	126,140	208,100
Advances Payable	575,567	853,441	975,135	1,433,485	1,732,965
Third-Party Payor Liability	26,207	39,693	39,042	42,051	39,690
Total Liabilities	$1,718,874	$2,048,182	$2,182,717	$2,696,888	$3,054,828
DEFERRED INFLOWS OF RESOURCES*	$508,105	$435,109	$420,060	$421,159	$426,896
FUND BALANCES					
Nonspendable	$272,007	$272,384	$324,555	$212,281	$136,890
Restricted	40,577	55,694	67,880	70,157	77,406
Committed	482,740	334,346	364,679	429,440	704,954
Assigned	538,078	491,954	446,579	494,783	480,065
Unassigned	1,769,406	2,035,445	2,180,549	2,444,312	2,495,876
Total Fund Balances	3,102,808	3,189,823	3,384,242	3,650,973	3,895,191
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$5,329,787	$5,673,114	$5,987,019	$6,769,020	$7,376,915

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2014, 2015, 2016, 2017 and 2018.

COUNTY OF LOS ANGELES

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND-GAAP BASIS FISCAL YEARS 2013-14 THROUGH 2017-18 (in thousands of $)

	2013-14	2014-15	2015-16	2016-17	2017-18
REVENUES:					
Taxes	$4,520,755	$4,772,762	$5,003,124	$5,333,532	$5,655,160
Licenses, Permits & Franchises	59,886	61,561	60,666	59,197	61,198
Fines, Forfeitures and Penalties	207,094	207,684	189,312	183,400	175,827
Use of Money and Property	128,501	141,816	186,443	155,878	189,399
Aid from Other Government	8,395,672	8,574,288	8,939,412	9,377,215	9,730,931
Charges for Services	1,743,447	1,491,656	1,651,883	1,800,657	1,751,140
Miscellaneous Revenues	152,663	204,966	159,346	172,055	162,610
TOTAL	$15,208,018	$15,454,733	$16,190,186	$17,081,934	$17,726,265
EXPENDITURES					
General	$998,438	$1,155,070	$1,039,188	$1,159,100	$1,253,758
Public Protection	4,843,148	5,136,461	5,418,926	5,546,279	5,618,266
Health and Sanitation	3,204,177	2,931,257	3,161,202	3,460,315	3,996,450
Public Assistance	5,430,398	5,682,198	5,892,530	6,034,942	6,260,375
Recreation and Cultural Services	282,660	304,895	321,414	341,272	364,316
Debt Service	28,928	27,060	29,600	31,079	33,559
Capital Outlay	2,398	866	547	63	5,161
Total	$14,790,147	$15,237,807	$15,863,407	$16,573,050	$17,531,885
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$417,871	$216,926	$326,779	$508,884	$194,380
OTHER FINANCING SOURCES (USES):					
Operating Transfers from (to) Other Funds-Net	($197,219)	($131,647)	($133,714)	($243,604)	$43,178
Sales of Capital Assets	770	870	807	1,388	1,499
Capital Leases	1,736	866	547	63	5,161
OTHER FINANCING SOURCES (USES)-Net	($194,713)	($129,911)	($132,360)	($242,153)	$49,838
Excess (Deficiency) of Revenues and other Sources Over Expenditures and Other Uses	223,158	87,015	194,419	266,731	244,218
Beginning Fund Balance	2,879,650	3,102,808	3,189,823	3,384,242	3,650,973
Ending Fund Balance	$3,102,808	$3,189,823	$3,384,242	$3,650,973	$3,895,191

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2014, 2015, 2016, 2017 and 2018.

COUNTY OF LOS ANGELES BORROWABLE RESOURCES
FUNDS AVAILABLE FOR INTRAFUND BORROWING

2017-18: 12 MONTHS ACTUAL
2018-19: 10 MONTHS ACTUAL

COUNTY OF LOS ANGELES BORROWABLE RESOURCES
AVERAGE DAILY BALANCES: Fiscal Year 2017-18
FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of $)

	July 2017	August 2017	September 2017	October 2017	November 2017	December 2017
PROPERTY TAX GROUP						
Tax Collector Trust Fund	$ 67,815	$ 54,082	$ 42,716	$ 492,879	$ 1,792,023	$ 2,623,580
Auditor Unapportioned Property Tax	350,252	98,109	98,213	168,073	657,500	2,690,644
Unsecured Property Tax	172,319	111,417	122,125	152,745	160,071	68,705
Miscellaneous Fees & Taxes	6,281	6,266	6,308	6,289	6,321	6,260
State Redemption Fund	25,510	51,284	47,722	46,876	33,068	22,396
Education Revenue Augmentation	192,227	260,588	180,968	166,968	178,183	616,955
State Reimbursement Fund	0	0	0	0	438	11,150
Sales Tax Replacement Fund	0	0	0	0	0	0
Vehicle License Fee Replacement Fund	0	21,638	157,643	171,655	171,667	171,667
Property Tax Rebate Fund	3,952	15,922	12,305	8,716	14,817	11,761
Utility User Tax Trust Fund	1,140	2,320	4,056	7,758	8,173	10,670
Subtotal	$ 819,496	$ 621,626	$ 672,056	$ 1,221,959	$ 3,022,261	$ 6,233,788
VARIOUS TRUST GROUP						
Departmental Trust Fund	$ 464,155	$ 480,556	$ 475,529	$ 468,132	$ 580,608	$ 680,975
Payroll Revolving Fund	54,106	43,191	44,360	59,477	38,262	47,729
Asset Development Fund	44,436	44,277	44,342	44,369	44,388	44,415
Productivity Investment Fund	5,859	5,804	5,758	5,597	5,716	5,503
Motor Vehicle Capital Outlays	578	674	703	703	703	664
Civic Center Parking	164	141	242	263	262	232
Reporters Salary Fund	315	457	254	182	238	331
Cable TV Franchise Fund	13,256	12,603	13,020	12,964	12,939	13,307
Megaflex Long-Term Disability	12,623	12,498	12,471	12,316	12,133	12,114
Megaflex Long-Term Disability & Health	10,912	10,962	11,033	11,124	11,214	11,300
Megaflex Short-Term Disability	53,157	53,578	53,935	54,410	54,723	55,086
Subtotal	$ 659,561	$ 664,741	$ 661,647	$ 669,537	$ 761,186	$ 871,656
HOSPITAL GROUP						
Harbor-UCLA Medical Center	$ 1,035	$ (1,436)	$ 3,145	$ 3,739	$ 98	$ (2,096)
Olive View-UCLA Medical Center	4,350	(4,060)	2,164	2,726	834	2,279
LAC+USC Medical Center	3,161	(4,331)	5,142	3,116	1,430	6,100
MLK Ambulatory Care Center	0	0	0	0	1	0
Rancho Los Amigos Rehab Center	133	1,693	449	439	121	2,026
LAC+USC Medical Center Equipment	0	0	0	0	0	0
Subtotal	$ 8,679	$ (8,134)	$ 10,900	$ 10,020	$ 2,484	$ 8,309
GRAND TOTAL	**$ 1,487,736**	**$ 1,278,233**	**$ 1,344,603**	**$ 1,901,516**	**$ 3,785,931**	**$ 7,113,753**

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2018	February 2018	March 2018	April 2018	May 2018	June 2018	
						PROPERTY TAX GROUP
$ 1,657,829	$ 605,430	$ 594,839	$ 2,086,164	$ 853,191	$ 174,215	**Tax Collector Trust Fund**
1,632,891	1,444,515	595,738	1,725,787	930,765	524,288	**Auditor Unapportioned Property Tax**
68,272	56,764	54,307	44,439	61,236	100,801	**Unsecured Property Tax**
6,394	6,403	6,357	6,355	6,322	6,309	**Miscellaneous Fees & Taxes**
23,112	19,579	17,872	18,407	18,649	17,251	**State Redemption Fund**
507,917	289,170	234,764	410,440	463,758	136,597	**Education Revenue Augmentation**
18,471	1,132	1,132	2,154	17,555	8,105	**State Reimbursement Fund**
0	0	0	0	0	0	**Sales Tax Replacement Fund**
651,142	441,584	723,359	795,929	576,476	0	**Vehicle License Fee Replacement Fund**
13,619	25,574	13,008	13,504	16,080	11,946	**Property Tax Rebate Fund**
13,224	12,506	8,217	12,009	16,344	18,734	**Utility User Tax Trust Fund**
$ 4,592,871	$ 2,902,657	$ 2,249,593	$ 5,115,188	$ 2,960,376	$ 998,246	**Subtotal**
						VARIOUS TRUST GROUP
$ 480,800	$ 472,336	$ 475,234	$ 479,896	$ 474,779	$ 494,070	**Departmental Trust Fund**
66,343	31,973	37,108	51,900	39,546	40,403	**Payroll Revolving Fund**
44,433	44,458	44,504	44,523	44,532	44,639	**Asset Development Fund**
5,146	4,990	6,217	8,043	7,880	7,829	**Productivity Investment Fund**
623	601	601	611	625	599	**Motor Vehicle Capital Outlays**
208	294	304	322	430	258	**Civic Center Parking**
545	534	622	600	407	219	**Reporters Salary Fund**
13,443	13,303	13,345	13,553	13,368	13,508	**Cable TV Franchise Fund**
12,057	11,998	11,993	11,999	11,765	11,759	**Megaflex Long-Term Disability**
11,387	11,412	11,459	11,545	11,614	11,716	**Megaflex Long-Term Disability & Health**
55,715	56,065	56,554	57,021	57,244	57,598	**Megaflex Short-Term Disability**
$ 690,700	$ 647,964	$ 657,941	$ 680,013	$ 662,190	$ 682,598	**Subtotal**
						HOSPITAL GROUP
$ 4,210	$ 4,656	$ 1,830	$ 1,703	$ 793	$ 4,600	**Harbor-UCLA Medical Center**
1,126	(1,371)	1,658	1,332	3,182	18,338	**Olive View-UCLA Medical Center**
1,777	6,120	3,970	717	7,489	22,772	**LAC + USC Medical Center**
0	0	0	0	0	0	**MLK Ambulatory Care Center**
4,086	(800)	183	175	(269)	1,357	**Rancho Los Amigos Rehab Center**
0	0	0	0	0	0	**LAC+USC Medical Center Equipment**
$ 11,199	$ 8,605	$ 7,641	$ 3,927	$ 11,195	$ 47,067	**Subtotal**
$ 5,294,770	**$ 3,559,226**	**$ 2,915,175**	**$ 5,799,128**	**$ 3,633,761**	**$ 1,727,911**	**GRAND TOTAL**

COUNTY OF LOS ANGELES BORROWABLE RESOURCES
AVERAGE DAILY BALANCES: Fiscal Year 2018-19
FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of $)

	July 2018	August 2018	September 2018	October 2018	November 2018	December 2018
PROPERTY TAX GROUP						
Tax Collector Trust Fund	$ 95,823	$ 58,321	$ 44,046	$ 523,298	$ 1,856,100	$ 2,908,353
Auditor Unapportioned Property Tax	428,157	109,751	132,676	183,373	571,425	2,374,829
Unsecured Property Tax	171,779	174,914	131,230	170,177	167,872	74,549
Miscellaneous Fees & Taxes	6,276	6,261	6,263	6,247	6,312	6,231
State Redemption Fund	26,128	40,386	41,000	47,904	41,068	24,551
Education Revenue Augmentation	39,444	119,213	40,967	720	18,571	497,904
State Reimbursement Fund	0	0	0	0	429	8,993
Sales Tax Replacement Fund	0	0	0	0	0	0
Vehicle License Fee Replacement Fund	0	0	143,040	183,760	184,462	196,831
Property Tax Rebate Fund	7,277	11,986	22,120	18,080	29,692	12,199
Utility User Tax Trust Fund	12,498	4,473	4,781	9,609	12,946	18,786
Subtotal	$ 787,382	$ 525,305	$ 566,123	$ 1,143,168	$ 2,888,877	$ 6,123,226
VARIOUS TRUST GROUP						
Departmental Trust Fund	$ 524,262	$ 616,649	$ 589,179	$ 574,915	$ 533,128	$ 469,179
Payroll Revolving Fund	56,488	38,650	45,118	41,145	35,277	56,212
Asset Development Fund	53,584	59,309	59,683	59,698	59,722	59,737
Productivity Investment Fund	7,797	7,671	7,653	7,458	7,301	7,109
Motor Vehicle Capital Outlays	594	688	713	713	713	673
Civic Center Parking	155	146	241	214	172	37
Reporters Salary Fund	537	363	634	530	466	227
Cable TV Franchise Fund	13,497	13,353	13,338	13,859	13,797	14,060
Megaflex Long-Term Disability	11,751	11,635	11,603	11,457	11,455	11,431
Megaflex Long-Term Disability & Health	11,772	11,844	11,936	12,017	12,101	12,202
Megaflex Short-Term Disability	58,087	58,378	58,654	58,923	59,173	59,548
Subtotal	$ 738,524	$ 818,686	$ 798,752	$ 780,929	$ 733,305	$ 690,415
HOSPITAL GROUP						
Harbor-UCLA Medical Center	$ 9,880	$ (8,046)	$ 3,864	$ 18,249	$ (4,706)	$ 3,231
Olive View-UCLA Medical Center	30,183	9,417	3,514	21,041	10,592	6,027
LAC+USC Medical Center	9,868	15,942	1,916	22,815	8,585	1,900
MLK Ambulatory Care Center	0	0	0	0	0	0
Rancho Los Amigos Rehab Center	(692)	(7,554)	584	6,215	7,694	4,078
LAC+USC Medical Center Equipment	0	0	0	0	0	0
Subtotal	$ 49,239	$ 9,759	$ 9,878	$ 68,320	$ 22,165	$ 15,236
GRAND TOTAL	**$ 1,575,145**	**$ 1,353,750**	**$ 1,374,753**	**$ 1,992,417**	**$ 3,644,347**	**$ 6,828,877**

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2019	February 2019	March 2019	April 2019	Estimated May 2019	Estimated June 2019	
						PROPERTY TAX GROUP
$ 1,083,544	$ 692,363	$ 947,783	$ 2,285,226	$ 840,093	$ 154,321	**Tax Collector Trust Fund**
1,331,532	945,011	711,383	1,613,184	689,780	187,045	**Auditor Unapportioned Property Tax**
72,570	69,847	63,778	49,121	94,621	128,200	**Unsecured Property Tax**
6,282	6,318	6,258	6,302	9,198	8,868	**Miscellaneous Fees & Taxes**
21,976	23,091	22,417	21,715	34,647	25,268	**State Redemption Fund**
460,340	218,012	35,106	376,848	79,607	168,583	**Education Revenue Augmentation**
17,157	1,088	1,088	2,090	29,269	11,261	**State Reimbursement Fund**
0	0	0	0	81,348	0	**Sales Tax Replacement Fund**
595,307	354,258	661,325	702,571	574,415	0	**Vehicle License Fee Replacement Fund**
23,657	15,161	11,668	19,200	0	0	**Property Tax Rebate Fund**
22,432	4,252	8,936	1,541	7,261	11,403	**Utility User Tax Trust Fund**
$ 3,634,797	$ 2,329,401	$ 2,469,742	$ 5,077,798	$ 2,440,239	$ 694,949	**Subtotal**
						VARIOUS TRUST GROUP
$ 457,910	$ 443,128	$ 470,522	$ 505,003	$ 555,784	$ 542,645	**Departmental Trust Fund**
41,220	36,012	43,410	72,529	62,091	51,560	**Payroll Revolving Fund**
59,899	60,166	60,369	60,453	44,000	44,000	**Asset Development Fund**
6,863	6,606	6,551	8,599	6,000	6,000	**Productivity Investment Fund**
647	626	603	603	6,000	6,000	**Motor Vehicle Capital Outlays**
269	212	99	288	239	143	**Civic Center Parking**
539	354	370	516	559	413	**Reporters Salary Fund**
14,107	13,947	14,342	14,164	13,000	13,000	**Cable TV Franchise Fund**
11,453	11,508	11,456	11,356	14,893	14,893	**Megaflex Long-Term Disability**
12,257	12,262	12,351	12,426	9,306	9,306	**Megaflex Long-Term Disability & Health**
59,902	60,257	60,848	61,527	43,310	43,310	**Megaflex Short-Term Disability**
$ 665,066	$ 645,078	$ 680,921	$ 747,464	$ 755,182	$ 731,270	**Subtotal**
						HOSPITAL GROUP
$ (1,271)	$ (3,097)	$ (2,869)	$ 6,941	$ 0	$ 0	**Harbor-UCLA Medical Center**
(2,098)	155	775	12,447	0	0	**Olive View-UCLA Medical Center**
8,064	3,736	3,490	7,595	0	0	**LAC + USC Medical Center**
0	0	0	0	0	0	**MLK Ambulatory Care Center**
3,050	398	23	(60)	0	0	**Rancho Los Amigos Rehab Center**
0	0	0	0	0	0	**LAC+USC Medical Center Equipment**
$ 7,745	$ 1,192	$ 1,419	$ 26,923	$ 0	$ 0	**Subtotal**
$ 4,307,608	**$ 2,975,671**	**$ 3,152,082**	**$ 5,852,185**	**$ 3,195,421**	**$ 1,426,219**	**GRAND TOTAL**

COUNTY OF LOS ANGELES
CALIFORNIA

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW STATEMENTS

2017-18: 12 MONTHS ACTUAL
2018-19: 10 MONTHS ACTUAL

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2017-18
(in thousands of $)

	July 2017	August 2017	September 2017	October 2017	November 2017
BEGINNING BALANCE	$ 2,508,677	$ 2,605,709	$ 2,140,176	$ 1,452,843	$ 1,585,190
RECEIPTS					
Property Taxes	$ 68,299	$ 117,118	$ 1,605	$ 0	$ 46,480
Other Taxes	14,998	10,702	17,563	21,884	22,628
Licenses, Permits & Franchises	3,207	6,168	2,781	4,575	2,244
Fines, Forfeitures & Penalties	35,590	16,716	7,997	9,466	15,321
Investment and Rental Income	25,251	15,092	13,324	24,363	15,493
Motor Vehicle (VLF) Realignment	0	(167,216)	48,826	64,030	34,904
Sales Taxes - Proposition 172	72,935	61,116	56,981	57,075	71,952
1991 Program Realignment	75,552	26,032	102,517	67,871	73,011
Other Intergovernmental Revenue	133,916	508,397	154,524	231,268	272,552
Charges for Current Services	92,934	198,780	83,723	176,749	98,437
Other Revenue & Tobacco Settlement	120,904	30,197	1,743	166,756	(142,844)
Transfers & Reimbursements	7,858	12,827	(205)	3,476	15,562
Hospital Loan Repayment*	37,283	587,151	101,231	1,004,342	(338,000)
Welfare Advances	341,921	258,213	485,296	401,294	444,597
Other Financing Sources/MHSA	88,110	16,862	0	0	5,164
Intrafund Borrowings	0	0	0	0	0
TRANs Sold	800,000	0	0	0	0
Total Receipts	$ 1,918,758	$ 1,698,155	$ 1,077,906	$ 2,233,149	$ 637,501
DISBURSEMENTS					
Welfare Warrants	$ 191,537	$ 197,920	$ 194,706	$ 299,175	$ 189,508
Salaries	483,248	480,690	474,480	479,128	482,777
Employee Benefits	324,514	294,144	275,797	309,991	303,996
Vendor Payments	595,479	539,732	328,053	388,105	385,735
Loans to Hospitals*	0	346,253	480,888	371,024	272,000
Hospital Subsidy Payments	205,042	283,161	0	0	(62,147)
Transfer Payments	21,906	21,788	11,315	253,379	18,308
TRANs Pledge Transfer	0	0	0	0	0
Intrafund Repayment	0	0	0	0	0
Total Disbursements	$ 1,821,726	$ 2,163,688	$ 1,765,239	$ 2,100,802	$ 1,590,177
ENDING BALANCE	**$ 2,605,709**	**$ 2,140,176**	**$ 1,452,843**	**$ 1,585,190**	**$ 632,514**
Borrowable Resources (Avg. Balance)	$ 1,487,736	$ 1,278,233	$ 1,344,603	$ 1,901,516	$ 3,785,931
Total Cash Available	$ 4,093,445	$ 3,418,409	$ 2,797,446	$ 3,486,706	$ 4,418,445

* The net change in the outstanding Hospital Loan Balance is a decrease of $43.32 million and can be calculated by subtracting the "Hospital Loan Repayment" Receipt from the "Loans to Hospitals" Disbursement shown above.

December 2017	January 2018	February 2018	March 2018	April 2018	May 2018	June 2018	Total 2017-18
$ 632,514	$ 1,370,053	$ 1,660,492	$ 1,853,032	$ 1,311,599	$ 1,218,507	$ 2,088,027	
$ 1,309,725	$ 1,273,331	$ 434,542	$ 12,806	$ 724,033	$ 1,138,485	$ 265,011	$ 5,391,435
16,475	13,061	27,143	12,995	13,119	27,061	26,422	224,051
4,306	2,743	3,075	7,379	12,065	10,269	3,871	62,683
7,916	8,981	22,146	13,964	9,682	21,920	8,803	178,502
15,464	15,236	16,635	15,272	18,590	34,389	23,203	232,312
33,755	32,245	44,213	32,568	31,526	34,666	15,776	205,293
56,884	58,836	84,302	54,437	49,395	73,304	56,005	753,222
61,565	63,718	91,229	59,810	54,491	80,546	61,522	817,864
246,274	176,022	189,581	311,856	144,277	258,897	231,480	2,859,044
154,764	305,644	94,907	115,602	205,586	114,638	160,020	1,801,784
107,978	(11,676)	49,210	45,634	112,447	187,277	(47,069)	620,557
51,352	4,135	4,416	59,219	22,509	9,945	15,148	206,242
231,725	264,186	145,012	0	337,090	274,478	594,802	3,239,300
514,006	365,786	376,824	489,513	391,488	302,251	427,749	4,798,938
1,726	1,145	144,549	27,602	54,006	27,836	28,673	395,673
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	800,000
$ 2,813,915	$ 2,573,393	$ 1,727,784	$ 1,258,657	$ 2,180,304	$ 2,595,962	$ 1,871,416	$ 22,586,900
$ 225,584	$ 330,359	$ 190,321	$ 228,457	$ 269,452	$ 232,624	$ 234,905	$ 2,784,548
505,244	517,511	500,413	486,925	510,433	490,831	496,597	5,908,277
306,347	338,658	318,993	301,720	318,628	323,044	302,882	3,718,714
332,538	411,600	334,420	434,642	524,810	455,988	391,189	5,122,291
355,686	274,269	146,460	330,094	351,111	150,240	117,956	3,195,981
(6,065)	(383)	34,735	0	(250)	0	47,230	501,323
42,042	95,940	9,902	18,252	89,656	73,715	9,748	665,951
315,000	315,000	0	0	209,556	0	0	839,556
0	0	0	0	0	0	0	0
$ 2,076,376	$ 2,282,954	$ 1,535,244	$ 1,800,090	$ 2,273,396	$ 1,726,442	$ 1,600,507	$ 22,736,641
$ 1,370,053	**$ 1,660,492**	**$ 1,853,032**	**$ 1,311,599**	**$ 1,218,507**	**$ 2,088,027**	**$ 2,358,936**	
$ 7,113,753	$ 5,294,770	$ 3,559,226	$ 2,915,175	$ 5,799,128	$ 3,633,761	$ 1,727,911	
$ 8,483,806	$ 6,955,262	$ 5,412,258	$ 4,226,774	$ 7,017,635	$ 5,721,788	$ 4,086,847	

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2018-19
(in thousands of $)

	July 2018	August 2018	September 2018	October 2018	November 2018
BEGINNING BALANCE	$ 2,358,936	$ 2,076,959	$ 1,846,102	$ 1,035,639	$ 679,155
RECEIPTS					
Property Taxes	$ 98,925	$ 125,803	$ 0	$ 1,718	$ 53,409
Other Taxes	16,883	20,935	29,088	7,873	20,730
Licenses, Permits & Franchises	3,785	2,600	4,448	3,638	5,988
Fines, Forfeitures & Penalties	31,954	20,215	7,750	7,890	13,993
Investment and Rental Income	27,374	23,547	18,772	15,966	33,976
Motor Vehicle (VLF) Realignment	0	(209,978)	45,369	36,140	61,201
Sales Taxes - Proposition 172	78,011	65,649	61,099	59,695	77,326
1991 Program Realignment	0	138,342	66,180	58,382	87,458
Other Intergovernmental Revenue	117,776	513,896	120,208	189,254	473,094
Charges for Current Services	33,554	236,876	98,403	178,379	118,838
Other Revenue & Tobacco Settlement	100,063	69,216	36,467	28,237	157,653
Transfers & Reimbursements	11,964	825	(61)	7,226	47,482
Hospital Loan Repayment*	0	109,607	0	292,307	90,820
Welfare Advances	375,468	345,083	473,683	332,316	401,070
Other Financing Sources/MHSA	3,417	224,561	23,149	3,764	34,446
Intrafund Borrowings	0	0	0	0	0
TRANs Sold	700,000	0	0	0	0
Total Receipts	$ 1,599,174	$ 1,687,177	$ 984,555	$ 1,222,785	$ 1,677,484
DISBURSEMENTS					
Welfare Warrants	$ 193,595	$ 191,403	$ 192,469	$ 187,159	$ 184,333
Salaries	515,304	521,680	514,319	509,336	539,810
Employee Benefits	330,234	335,420	318,364	337,161	332,605
Vendor Payments	724,498	476,188	420,230	424,365	390,489
Loans to Hospitals*	0	0	264,020	32,497	238,367
Hospital Subsidy Payments	51,660	324,449	56,854	0	60,507
Transfer Payments	65,860	68,894	28,762	88,751	10,104
TRANs Pledge Transfer	0	0	0	0	0
Intrafund Repayment	0	0	0	0	0
Total Disbursements	$ 1,881,151	$ 1,918,034	$ 1,795,018	$ 1,579,269	$ 1,756,215
ENDING BALANCE	**$ 2,076,959**	**$ 1,846,102**	**$ 1,035,639**	**$ 679,155**	**$ 600,424**
Borrowable Resources (Avg. Balance)	$ 1,575,145	$ 1,353,750	$ 1,374,753	$ 1,992,417	$ 3,644,347
Total Cash Available	$ 3,652,104	$ 3,199,852	$ 2,410,392	$ 2,671,572	$ 4,244,771

* The net change in the outstanding Hospital Loan Balance is an increase of $346.65 million and can be calculated by subtracting the "Hospital Loan Repayment" Receipt from the "Loans to Hospitals" Disbursement shown above.

December 2018	January 2019	February 2019	March 2019	April 2019	Estimated May 2019	Estimated June 2019	Total 2018-19
$ 600,424	$ 910,213	$ 1,140,594	$ 1,023,697	$ 149,330	$ 734,180	$ 1,644,430	
$ 1,388,009	$ 1,367,759	$ 230,352	$ 17,410	$ 1,007,328	$ 1,275,944	$ 263,681	$ 5,830,338
14,277	15,541	33,837	12,117	24,203	10,288	18,097	223,869
3,805	2,576	3,999	7,452	15,413	6,464	3,530	63,698
7,921	8,189	23,070	14,161	8,782	19,641	8,468	172,034
17,032	18,915	22,394	20,224	20,506	21,250	20,281	260,237
31,105	36,301	44,308	33,298	34,286	33,349	15,215	160,594
58,890	60,233	89,455	60,470	52,513	64,445	50,876	778,662
59,399	61,317	93,650	62,467	52,883	64,997	59,239	804,314
160,192	237,425	313,251	187,039	137,575	216,911	164,720	2,831,341
131,327	316,035	136,861	140,255	188,859	118,828	202,684	1,900,898
79,482	45,545	58,015	115,120	150,716	24,813	27,993	893,321
10,472	10,390	4,399	5,786	14,104	6,519	16,102	135,208
0	285,146	183,688	0	360,728	515,793	165,352	2,003,441
546,766	310,021	352,546	510,067	429,009	297,431	377,309	4,750,769
61,323	34,212	36,621	43,599	49,665	27,204	27,204	569,164
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	700,000
$ 2,570,000	$ 2,809,605	$ 1,626,446	$ 1,229,465	$ 2,546,570	$ 2,703,874	$ 1,420,751	$ 22,077,887
$ 183,458	$ 472,975	$ 182,800	$ 262,585	$ 231,695	$ 245,651	$ 257,496	$ 2,785,619
609,681	557,253	538,365	531,352	551,155	538,839	542,208	6,469,302
339,019	382,007	336,634	363,169	339,723	341,442	333,426	4,089,204
393,251	471,317	369,045	549,156	431,223	440,177	406,284	5,496,222
372,083	295,009	220,823	362,586	186,065	159,460	219,179	2,350,089
0	(2,901)	82,674	0	0	0	0	573,243
47,719	88,564	13,002	34,984	124,170	68,055	15,927	654,793
315,000	315,000	0	0	97,689	0	0	727,689
0	0	0	0	0	0	0	0
$ 2,260,211	$ 2,579,224	$ 1,743,343	$ 2,103,832	$ 1,961,720	$ 1,793,625	$ 1,774,519	$ 23,146,161
$ 910,213	**$ 1,140,594**	**$ 1,023,697**	**$ 149,330**	**$ 734,180**	**$ 1,644,430**	**$ 1,290,662**	
$ 6,828,877	$ 4,307,608	$ 2,975,671	$ 3,152,082	$ 5,852,185	$ 3,195,421	$ 1,426,219	
$ 7,739,090	$ 5,448,202	$ 3,999,368	$ 3,301,412	$ 6,586,365	$ 4,839,851	$ 2,716,881	

COUNTY OF LOS ANGELES
CALIFORNIA

DEBT SUMMARY

INTRODUCTION

The County has issued various types of notes, bonds, and certificates to finance and refinance its cash management requirements, the replacement of essential equipment, and the acquisition, construction and/or improvement of government buildings and public facilities. The County has not entered into any swap agreements, or other similar interest rate derivative contracts, in connection with its outstanding debt.

OUTSTANDING OBLIGATIONS

As of July 1, 2018, approximately $1.695 billion of intermediate and long-term obligations were outstanding. The General Fund is responsible for repayment of $770 million of the outstanding debt. Revenues from Special Districts/Special Funds, Courthouse Construction Fund, and Hospital Enterprise Funds secure the remaining $925 million of outstanding obligations.

The table below identifies the funding sources for the County's debt payments due in 2018-19.

COUNTY OF LOS ANGELES
ADDITIONAL FUNDING SOURCES FOR REPAYMENT OF COUNTY INTERMEDIATE AND LONG-TERM OBLIGATIONS

2018-19 Payments

Funding Source	2018-19 Payment
Total 2018-19 Payment Obligations	$153,329,972
Less: Sources of Non-General Fund Entities:	
Hospital Enterprise Fund	56,629,774
Courthouse Construction Funds	15,013,314
Special Districts/Special Funds	2,772,901
Net 2018-19 General Fund Obligations	$78,913,983

Source: Los Angeles County Auditor-Controller

As of May 1, 2019, the County has $1.132 billion of outstanding short-term obligations, which include $700 million in TRANs, $35.0 million in Bond Anticipation Notes, and $397 million in Lease Revenue Tax-exempt Commercial Paper Notes. The following table summarizes the outstanding General County debt and note obligations.

COUNTY OF LOS ANGELES
SUMMARY OF OUTSTANDING PRINCIPAL

As of May 1, 2019 (in thousands)

Type of Obligation	Outstanding Principal
Total County	
Short-Term Obligations:	
Tax and Revenue Anticipation Notes	$700,000
Bond Anticipation Notes	35,000
Lease Revenue Notes	396,840
Intermediate & Long-Term Obligations	1,942,747
Total Outstanding Principal	$3,074,587

Source: Los Angeles County Treasurer and Tax Collector and Auditor-Controller

The tables at the end of this section provide a detailed summary of the funding sources for the County's outstanding obligations and future debt service payments.

SHORT-TERM OBLIGATIONS

Tax and Revenue Anticipation Notes

In 1977, the County implemented a cash management program to finance its General Fund cash flow deficits, which occur periodically during the fiscal year. Since the program's inception, the County has annually sold varying amounts of tax anticipation notes and tax and revenue anticipation notes (including commercial paper).

Pursuant to a resolution adopted by the Board of Supervisors on May 15, 2018, the County issued $700 million of 2018-19 TRANs on July 2, 2018. The 2018-19 TRANs will mature on June 28, 2019. TRANs are secured by a pledge of the first unrestricted taxes, income, revenue, and cash receipts received by the County during Fiscal Year 2018-19, in the amounts, and on the dates specified in the Financial Summary Section under the heading "2018-19 Tax and Revenue Anticipation Notes" of this Appendix A.

Bond Anticipation Notes

The County is currently utilizing the proceeds from the issuance of Bond Anticipation Notes ("BANs") to provide an interim source of funding for the acquisition of equipment on behalf of the County General Fund. The BANs are issued by the Los Angeles County Capital Asset Leasing Corporation ("LAC-CAL") and are purchased by the County Treasury Pool under terms and conditions established by the Board of Supervisors. The BANs are payable within three years of their initial issuance date from the proceeds of long-term bonds or other available funds. The repayment of the BANs is secured by lease agreements between the County and LAC-CAL and a pledge of the acquired equipment. As of May 1, 2019, $35.0 million in BANs are outstanding. The County expects to repay a portion of the outstanding BANs with the proceeds of intermediate-term bonds to be issued by LAC-CAL on or before July 1, 2020.

Lease Revenue Note Program

In April 2019, the County successfully closed a restructuring of the Lease Revenue Note Program (the "Note Program"). The Note Program provides the County with a flexible and cost-effective source of financing to provide interim funding during the initial construction phase of a capital project, which will eventually be refinanced with the issuance of long-term bonds upon completion. Under the restructured Note Program, the County is authorized to issue up to $600 million in aggregate principal amount of short-term commercial paper notes supported by four Irrevocable, Direct-Pay Letters of Credit ("LOC") issued by Bank of the West (Series A - $100 million); U.S. Bank (Series B - $200 million); Wells Fargo (Series C - $200 million) and State Street (Series D - $100 million). The maximum aggregate principal amount of $600 million represents an increase of $100 million from the previous Note Program.

The Note Program is secured by a lease-revenue financing structure between LAC-CAL and the County, and a portfolio of fifteen County-owned properties pledged as collateral to secure the credit facilities. The four LOCs, which are scheduled to terminate on April 30, 2024, provide credit enhancement and liquidity support for both tax-exempt and taxable commercial paper notes. The commercial paper notes issued through the Note Program will continue to finance construction costs for various capital projects throughout the County.

As of May 1, 2019, $396.8 million of tax-exempt commercial paper notes are outstanding. In the third quarter of 2019, the County intends to issue approximately $350 million of long-term lease revenue bonds (the "2019 Lease Revenue Bonds") to refinance multiple capital projects from the Note Program that have completed construction.

The County intends to issue $117.5 million of additional tax-exempt commercial paper notes by June 30, 2019 to finance the remaining balance of its $125 million contribution to the Los Angeles County Museum of Art (LACMA) Building for the Permanent Collection Project (the "LACMA Project"), which was approved by the Board of Supervisors on April 9, 2019. The $650 million LACMA Project will be funded through the $125 County contribution and a LACMA private fundraising campaign. Based on the current financing plan for the LACMA Project, the County intends to issue $425 million of long-term lease revenue bonds in the fall of 2020 to refinance its $125 million contribution and to generate $300 million of additional proceeds to finance construction costs. LACMA will be responsible for the payment of debt service costs on the $300 million component of this financing through its private fundraising campaign.

INTERMEDIATE AND LONG-TERM OBLIGATIONS

Lease Obligations

Since 1962, the County has financed its capital project and equipment replacement program through various lease arrangements with joint powers authorities and nonprofit corporations, which have issued lease revenue bonds or certificates of participation. As of July 1, 2018, approximately $1.695 billion in principal remained outstanding on such obligations. The County's lease obligations are secured by revenues from various funding sources, including the General Fund, and are subject to annual appropriation. The Fiscal Year 2018-19 Final Adopted Budget and the Fiscal Year 2019-20 Recommended Budget contain sufficient appropriations to fund the debt service on the County's lease payment obligations. The County's Board of Supervisors has never failed to appropriate sufficient funding for such obligations, nor has the County abated payments on any of its lease-revenue financings to date.

DEBT RATIOS

The ratio of the General Fund's outstanding debt to the net revenue-producing valuation of the property tax roll (the "Net Local Roll") decreased from 0.124% in Fiscal Year 2017-18 to 0.112% in Fiscal Year 2018-19. The following table provides the ratio of the General Fund's outstanding debt to the Net Local Roll over the past ten years.

COUNTY OF LOS ANGELES
OUTSTANDING DEBT TO ASSESSED VALUATION AS OF JULY 1

Fiscal Year	Outstanding Principal	Net Local Property Tax Roll	Debt To Value Ratio
2009-10	972,937,056	1,062,174,404,954	0.092%
2010-11	805,297,030	1,042,339,975,681	0.077%
2011-12	1,397,467,754	1,056,493,252,156	0.132%
2012-13	1,370,642,758	1,079,685,510,076	0.127%
2013-14	1,622,142,327	1,129,994,170,579	0.144%
2014-15	1,576,510,029	1,191,806,972,618	0.132%
2015-16	1,633,835,517	1,264,906,464,546	0.129%
2016-17	1,785,310,693	1,335,525,121,301	0.134%
2017-18	1,761,081,064	1,416,125,372,989	0.124%
2018-19	1,695,142,404	1,509,888,186,608	0.112%

Source: Los Angeles County Assessor and Auditor-Controller

OTHER DEBT OBLIGATIONS

Tobacco Bonds

On February 8, 2006 the California County Tobacco Securitization Agency (the "Agency"), a Joint Exercise of Powers Authority, issued $319.8 million in Tobacco Settlement Asset-Backed Bonds (the "Tobacco Bonds") for the purpose of loaning the proceeds to the Los Angeles County Securitization Corporation (the "Corporation"). The Corporation used the Tobacco Bond proceeds to purchase 25.9% of the County's annual Tobacco Settlement Revenues (the "TSRs") paid by the tobacco companies participating in the Master Settlement Agreement. The Tobacco Bonds are secured by the 25.9% portion of the annual TSRs, and are not considered a debt obligation of the County.

DPSS Lease Obligations

From January 28, 1999 through July 28, 2005, the County entered into several build to suit operating and capital lease agreements with various organizations whereby the County would lease buildings and improvements for use by County Departments including the Department of Public Social Services (the "DPSS Facilities"). In order to facilitate the construction of the DPSS Facilities, financing was obtained through the sale of Certificates of Participation ("COPs") and Lease Revenue Bonds with the periodic lease payments pledged as security for repayment of the debt securities. Although these financings are categorized as leases in the County's financial statements, the ultimate obligor for the outstanding debt is the County General Fund. The principal amount of the outstanding underlying COPs and Bond obligations is $219.2 million as of May 1, 2019.

Vermont Corridor Project

The County, working in conjunction with the Community Development Commission (CDC), is developing County-owned property in the area known as the "Vermont Corridor" in the City of Los Angeles. The Vermont Corridor Project includes the development of three sites in the Vermont Corridor area, including: Site 1 – new Department of Mental Health (DMH) headquarters facility and parking garage; Site 2 – mixed-use market rate housing; and Site 3 – affordable senior housing. On July 26, 2018, the County financed the Site 1 project with the issuance of $302.3 million of lease revenue bonds through a not-for-profit special purpose entity, Los Angeles County Facilities, Inc., which will also serve as the construction and facility manager for the project. The development of Site 2 and Site 3 will be financed with private capital provided through TC LA Development, Inc., the private developer for the Vermont Corridor Project.

COUNTY OF LOS ANGELES
DEBT SUMMARY TABLES

REPORTS AS OF JULY 1, 2018

COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE

OUTSTANDING PRINCIPAL OBLIGATIONS BY FUNDING SOURCE

CURRENT FISCAL YEAR DEBT SERVICE OBLIGATIONS BY FUNDING SOURCE

OUTSTANDING PRINCIPAL BY FUNDING SOURCE

REPORTS AS OF MAY 1, 2019

SUMMARY OF OUTSTANDING GENERAL FUND AND SPECIAL FUND OBLIGATIONS

ESTIMATED OVERLAPPING DEBT STATEMENT

COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2018

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Total Annual Debt Service
2018-19	$ 78,913,983	$ 56,629,774	$ 15,013,314	$ 2,772,901	$ 153,329,972
2019-20	74,270,204	52,934,921	15,002,335	2,772,114	144,979,574
2020-21	70,969,646	50,681,389	14,997,342	2,770,155	139,418,531
2021-22	71,577,391	50,423,184	14,991,788	2,772,727	139,765,090
2022-23	69,166,614	50,420,052	14,991,568	2,770,179	137,348,413
2023-24	46,440,195	50,410,165	14,985,583	2,771,524	114,607,466
2024-25	46,430,339	50,403,888	14,971,366	2,772,880	114,578,474
2025-26	46,425,341	50,395,048	14,968,875	2,772,804	114,562,067
2026-27	46,420,826	50,391,691	14,959,875	2,772,537	114,544,928
2027-28	46,331,986	50,383,353	14,947,750	2,771,073	114,434,161
2028-29	46,030,081	50,371,753	14,945,875	2,773,632	114,121,341
2029-30	45,809,454	50,364,260	14,937,625	2,770,541	113,881,879
2030-31	45,801,510	50,345,701	8,340,500	2,770,790	107,258,501
2031-32	45,793,532	50,341,280	8,336,375	2,771,350	107,242,537
2032-33	45,787,862	50,331,926	6,115,375	2,770,272	105,005,435
2033-34	45,778,791	50,315,721	6,119,250	2,772,755	104,986,516
2034-35	45,769,504	50,309,705	-	2,774,794	98,854,002
2035-36	45,766,974	50,294,766	-	2,769,980	98,831,721
2036-37	45,759,388	50,283,745	-	2,774,430	98,817,563
2037-38	45,746,294	50,278,866	-	2,772,883	98,798,044
2038-39	45,737,969	50,259,691	-	2,773,883	98,771,544
2039-40	45,727,144	50,246,289	-	2,773,659	98,747,093
2040-41	45,723,835	50,237,761	-	2,772,601	98,734,197
2041-42	25,100,375	19,945,100	-	2,774,050	47,819,525
2042-43	25,102,875	19,948,218	-	2,774,482	47,825,575
2043-44	25,101,625	-	-	808,250	25,909,875
2044-45	25,099,000	-	-	809,750	25,908,750
2045-46	15,902,875	-	-	-	15,902,875
Total	$ 1,308,485,615	$ 1,206,948,245	$ 208,624,795	$ 70,926,996	$ 2,794,985,652

COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2018

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Total Outstanding Principal
2018-19	$ 769,995,063	$ 731,786,176	$ 152,675,000	$ 40,686,165	$ 1,695,142,404
2019-20	740,695,443	708,963,922	144,035,000	39,872,265	1,633,566,630
2020-21	715,755,942	688,722,303	135,205,000	39,017,435	1,578,700,679
2021-22	685,779,023	669,817,455	126,135,000	38,120,777	1,519,852,255
2022-23	645,603,559	650,368,047	116,790,000	37,175,498	1,449,937,104
2023-24	605,987,302	630,069,623	107,130,000	36,184,357	1,379,371,281
2024-25	587,474,815	608,863,906	97,130,000	35,141,008	1,328,609,729
2025-26	568,091,357	586,643,269	86,730,000	34,042,763	1,275,507,389
2026-27	547,761,235	563,319,690	75,825,000	32,888,277	1,219,794,202
2027-28	526,435,089	538,830,160	64,370,000	31,674,859	1,161,310,108
2028-29	504,142,909	513,114,829	52,340,000	30,400,717	1,099,998,455
2029-30	481,046,152	486,115,239	39,695,000	29,058,609	1,035,915,000
2030-31	457,011,720	457,762,435	26,410,000	27,650,845	968,835,000
2031-32	431,769,828	427,999,539	19,210,000	26,170,633	905,150,000
2032-33	405,340,098	396,740,964	11,645,000	24,613,939	838,340,000
2033-34	377,660,124	363,916,356	5,970,000	22,978,519	770,525,000
2034-35	348,589,529	329,453,785	-	21,256,686	699,300,000
2035-36	318,100,780	293,295,333	-	19,448,887	630,845,000
2036-37	286,191,347	255,401,290	-	17,562,363	559,155,000
2037-38	252,797,750	215,683,273	-	15,583,977	484,065,000
2038-39	217,881,190	174,133,219	-	13,515,591	405,530,000
2039-40	181,436,097	130,747,077	-	11,346,826	323,530,000
2040-41	143,408,169	85,416,324	-	9,070,508	237,895,000
2041-42	103,720,000	38,047,845	-	6,682,155	148,450,000
2042-43	83,295,000	19,481,371	-	4,173,629	106,950,000
2043-44	61,820,000	-	-	1,540,000	63,360,000
2044-45	39,245,000	-	-	790,000	40,035,000
2045-46	15,515,000	-	-	-	15,515,000

Source: Los Angeles County Chief Executive Office

COUNTY OF LOS ANGELES
CURRENT FISCAL YEAR DEBT SERVICE OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2018

Title	**Total Debt Service**	**General Fund**	**Hospital Enterprise Fund**	**Courthouse Construction Fund**	**Special Districts / Special Funds**
Long-Term Obligations					
Long-Term Capital Projects					
1993 COPs: Disney Parking Project	$ 17,550,000	$ 17,550,000			
2010 Multiple Capital Projects I, Series A:					
Coroners Expansion/ Refurbishment	$ 731,064	$ 731,064			
Patriotic Hall Renovation	1,180,536	1,180,536			
Hall of Justice Rehabilitation	6,094,538	6,094,538			
Olive View Medical Center ER/TB Unit	1,360,286		$ 1,360,286		
Olive View Medical Center Seismic	560,384		560,384		
Harbor/UCLA Surgery/ Emergency	8,524,184		8,524,184		
Harbor/UCLA Seismic Retrofit	1,314,465		1,314,465		
Total 2010 Multiple Capital Projects I, Series A	$ 19,765,456	$ 8,006,137	$ 11,759,319	$ 0	$ 0
2010 Multiple Capital Projects I, Federally Taxable Series B:					
Coroners Expansion/ Refurbishment	$ 1,166,023	$ 1,166,023			
Patriotic Hall Renovation	1,882,916	1,882,916			
Hall of Justice Rehabilitation	9,720,589	9,720,589			
Olive View Medical Center ER/TB Unit	2,169,611		$ 2,169,611		
Olive View Medical Center Seismic	893,795		893,795		
Harbor/UCLA Surgery/ Emergency	13,595,795		13,595,795		
Harbor/UCLA Seismic Retrofit	2,096,529		2,096,529		
Total 2010 Multiple Capital Projects I, Series B	$ 31,525,258	$ 12,769,528	$ 18,755,731	$ 0	$ 0
2011 High Desert Solar Complex (Federally Taxable)	$ 595,899	$ 595,899			
2012 Refg COPs: Disney Parking Project	$ 2,533,750	$ 2,533,750			
2012 Multiple Capital Projects II, Series 2012:					
High Desert Multi-Service Ambulatory Care Center	$ 8,844,232		$ 8,844,232		
Martin Luther King Jr. Multi-Service Ambulatory Care Center	10,766,316		10,766,316		
Martin Luther King Jr. Data Center	341,926		341,926		
Fire Station 128	297,046				$ 297,046
Fire Station 132	480,440				480,440
Fire Station 150	745,199				745,199
Fire Station 156	442,341				442,341
Total 2012 Multiple Capital Projects II, Series 2012	$ 21,917,500	$ 0	$ 19,952,474	$ 0	$ 1,965,026
2015 Multiple Capital Projects, Series A					
Zev Yaroslavsky Family Support Center	$ 9,196,625	$ 9,196,625			
Manhattan Beach Library	807,875				$ 807,875
Total 2015 Multiple Capital Projects, Series A	$ 10,004,500	$ 9,196,625	$ 0	$ 0	$ 807,875
2015 Lease Revenue Refunding Bonds, Series B					
Calabasas Landfill Project	$ 3,114,625	$ 3,114,625			
LAX Area Courthouse	2,533,000			$ 2,533,000	
Chatsworth Courthouse	2,124,500			2,124,500	
Total 2015 Multiple Capital Projects, Series B	$ 7,772,125	$ 3,114,625	$ 0	$ 4,657,500	$ 0
2015 Lease Revenue Refunding Bonds, Series C					
Michael D. Antonovich Antelope Valley Courthouse	$ 10,355,814			$ 10,355,814	
2016 Lease Revenue Bonds, Series D					
Martin Luther King Inpatient Tower	$ 15,904,044	$ 15,904,044			
Total Long-Term Obligations	$ 137,924,347	$ 69,670,608	$ 50,467,524	$ 15,013,314	$ 2,772,901
Intermediate-Term Obligations					
Equipment					
2017 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 15,405,625	$ 9,243,375	$ 6,162,250		
Total Intermediate-Term Obligations	$ 15,405,625	$ 9,243,375	$ 6,162,250	$ 0	$ 0
Total Obligations	$ 153,329,972	$ 78,913,983	$ 56,629,774	$ 15,013,314	$ 2,772,901

Source: Los Angeles County Chief Executive Office
Note: Amounts do not include Tax Exempt Commercial Paper

COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL BY FUNDING SOURCE
AS OF JULY 1, 2018

Title	Total Outstanding Principal	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds
Long-Term Obligations					
Long-Term Capital Projects					
1993 COPs: Disney Parking Project	$ 7,513,152	$ 7,513,152			
2010 Multiple Capital Projects I, Series A:					
Coroners Expansion/ Refurbishment	$ 1,392,558	$ 1,392,558			
Patriotic Hall Renovation	2,248,730	2,248,730			
Hall of Justice Rehabilitation	11,609,109	11,609,109			
Olive View Medical Center ER/TB Unit	2,591,124		$ 2,591,124		
Olive View Medical Center Seismic	1,067,442		1,067,442		
Harbor/UCLA Surgery/ Emergency	16,237,193		16,237,193		
Harbor/UCLA Seismic Retrofit	2,503,844		2,503,844		
Total 2010 Multiple Capital Projects I, Series A	$ 37,650,000	$ 15,250,397	$ 22,399,603	$ 0	$ 0
2010 Multiple Capital Projects I, Series B:					
Coroners Expansion/ Refurbishment	$ 25,447,194	$ 25,447,194			
Patriotic Hall Renovation	41,092,631	41,092,631			
Hall of Justice Rehabilitation	212,141,438	212,141,438			
Olive View Medical Center ER/TB Unit	47,349,441		$ 47,349,441		
Olive View Medical Center Seismic	19,506,113		19,506,113		
Harbor/UCLA Surgery/ Emergency	296,713,674		296,713,674		
Harbor/UCLA Seismic Retrofit	45,754,510		45,754,510		
Total 2010 Multiple Capital Projects I, Series B	$ 688,005,000	$ 278,681,262	$ 409,323,738	$ 0	$ 0
2011 High Desert Solar Complex (Federally Taxable)	$ 5,769,252	$ 5,769,252			
2012 Refg COPs: Disney Parking Project	$ 50,675,000	$ 50,675,000			
2012 Multiple Capital Projects II, Series 2012:					
High Desert Multi-Service Ambulatory Care Center	$ 129,268,837		$ 129,268,837		
Martin Luther King Jr. Multi-Service Ambulatory Care Center	157,362,346		157,362,346		
Martin Luther King Jr. Data Center	4,997,653		4,997,653		
Fire Station 128	4,341,681				$ 4,341,681
Fire Station 132	7,022,197				7,022,197
Fire Station 150	10,891,957				10,891,957
Fire Station 156	6,465,330				6,465,330
Total 2012 Multiple Capital Projects II, Series 2012	$ 320,350,000	$ 0	$ 291,628,835	$ 0	$ 28,721,165
2015 Multiple Capital Projects, Series A					
Zev Yaroslavsky Family Support Center	$ 136,255,000	$ 136,255,000			
Manhattan Beach Library	11,965,000				$ 11,965,000
Total 2015 Multiple Capital Projects, Series A	$ 148,220,000	$ 136,255,000	$ 0	$ 0	$ 11,965,000
2015 Lease Revenue Refunding Bonds, Series B					
Calabasas Landfill Project	$ 11,690,000	$ 11,690,000			
LAX Area Courthouse	50,660,000			$ 50,660,000	
Chatsworth Courthouse	42,490,000			42,490,000	
Total 2015 Lease Revenue Refunding Bonds, Series B	104,840,000	$ 11,690,000	$ 0	$ 93,150,000	$ 0
2015 Lease Revenue Refunding Bonds, Series C					
Michael D. Antonovich Antelope Valley Courthouse	$ 59,525,000			$ 59,525,000	
2016 Lease Revenue Bonds, Series D					
Martin Luther King Inpatient Tower	$ 251,510,000	$ 251,510,000			
Total Long-Term Obligations	$ 1,674,057,404	$ 757,344,063	$ 723,352,176	$ 152,675,000	$ 40,686,165
Intermediate-Term Obligations					
Equipment					
2017 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 21,085,000	$ 12,651,000	$ 8,434,000		
Total Intermediate-Term Obligations	$ 21,085,000	$ 12,651,000	$ 8,434,000	$ 0	$ 0
Total Obligations	$ 1,695,142,404	$ 769,995,063	$ 731,786,176	$ 152,675,000	$ 40,686,165

Source: Los Angeles County Chief Executive Office
Note: Amounts do not include Tax Exempt Commercial Paper

COUNTY OF LOS ANGELES
SUMMARY OF OUTSTANDING GENERAL FUND AND SPECIAL FUND OBLIGATIONS
AS OF MAY 1, 2019

Title	Outstanding Principal	Total Future Payments		2018-19 FY Payment Remaining
Long-Term Obligations				
Long-Term Capital Projects				
1993 COPs: Disney Parking Project	$ 4,465,857	$ 28,005,000		$ 0
2010 Lease Rev Bonds, Series A - 2010 Multiple Capital Projects I	19,290,000	19,769,213		0
2010 Lease Rev Bonds, Series B - 2010 Multiple Capital Projects I (Federally Taxable)	688,005,000	1,104,449,160	(1)	0
2011 Lease Rev Bonds - High Desert Solar Complex (Federally Taxable)	5,230,773	5,494,230	(1)	0
2012 Refg COPs: Disney Parking Project	50,675,000	58,296,750		0
2012 Lease Rev Bonds - Multiple Capital Projects II Series 2012	313,670,000	525,908,100		0
2015 Multiple Capital Projects, Series A	145,560,000	263,738,000		3,639,000
2015 Lease Revenue Refunding Bonds Series B	102,245,000	150,232,250		2,556,125
2015 Lease Revenue Refunding Bonds Series C (Taxable)	50,885,000	56,549,411		813,929
2016 Lease Revenue Bonds Series D	247,000,000	435,097,944		5,663,197
2018 Lease Revenue Bonds (Vermont Corridor) Series A	297,280,000	602,411,700		7,078,350
2018 Lease Revenue Bonds (Vermont Corridor) Series B (Federally Taxable)	5,100,000	5,763,000		82,875
Total Long-Term Obligations	$ 1,929,406,630	$ 3,255,714,756		$ 19,833,476
Intermediate-Term Obligations				
Equipment				
2017 Lease Rev Bonds Series A - LAC-CAL Equipment Program	$ 13,340,000	$ 13,921,375		$ 7,133,500
Total Intermediate-Term Obligations	$ 13,340,000	$ 13,921,375		$ 7,133,500
Total Obligations	$ 1,942,746,630	$ 3,269,636,131		$ 26,966,976

COPs = Certificates of Participation

(1) Total Future Payments reflects the County's net future payment obligation after receipt of a Federal interest subsidy authorized by the American Recovery and Reinvestment Act (ARRA) of 2009.

Source: Los Angeles County Chief Executive Office
Note: Amounts do not include Tax Exempt Commercial Paper

COUNTY OF LOS ANGELES
ESTIMATED OVERLAPPING DEBT STATEMENT AS OF MAY 1, 2019
2018-19 Assessed Valuation: $1,626,067,653,032: (includes unitary valuation)

	Applicable %		Debt as of 5/1/19
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			
Metropolitan Water District	48.499 %	$	23,303,770
Los Angeles Community College District	100.000		3,930,390,000
Other Community College Districts	Various (1)		3,593,836,736
Arcadia Unified School District	100.000		218,086,334
Beverly Hills Unified School District	100.000		362,252,561
Glendale Unified School District	100.000		283,409,986
Long Beach Unified School District	100.000		1,077,235,702
Los Angeles Unified School District	100.000		10,199,475,000
Pasadena Unified School District	100.000		318,355,000
Pomona Unified School District	100.000		316,875,310
Redondo Beach Unified School District	100.000		210,673,403
Santa Monica-Malibu Unified School District	100.000		459,369,497
Torrance Unified School District	100.000		449,513,325
Other Unified School Districts	Various (1)		3,881,969,360
High School and School Districts	Various (1)		2,039,465,296
City of Los Angeles	100.000		877,260,000
City of Industry	100.000		70,890,000
Other Cities	100.000		48,245,000
Community Facilities Districts	100.000		677,668,606
Los Angeles County Regional Park & Open Space Assessment District	100.000		13,620,000
1915 Act and Benefit Assessment Bonds - Estimate	100.000		101,397,102
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$	29,153,291,988
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			
Los Angeles County General Fund Obligations	**100.000 %**	**$**	**2,161,916,630**
Los Angeles County Office of Education Certificates of Participation	100.000		5,827,868
Community College District Certificates of Participation	Various (2)		26,524,853
Baldwin Park Unified School District Certificates of Participation	100.000		28,575,000
Compton Unified School District Certificates of Participation	100.000		17,260,000
Los Angeles Unified School District Certificates of Participation	100.000		180,545,000
Paramount Unified School District Certificates of Participation	100.000		28,190,000
Other Unified School District Certificates of Participation	Various (2)		178,720,873
High School and Elementary School District General Fund Obligations	Various (2)		151,698,603
City of Beverly Hills General Fund Obligations	100.000		122,980,000
City of Los Angeles General Fund and Judgment Obligations	100.000		1,422,818,015
City of Long Beach General Fund Obligations	100.000		110,090,000
City of Long Beach Pension Obligations Bonds	100.000		19,315,000
City of Pasadena General Fund Obligations	100.000		418,443,414
City of Pasadena Pension Obligations Bonds	100.000		119,460,000
Other Cities' General Fund Obligations	100.000		1,644,483,148
Los Angeles County Sanitation Districts Financing Authority	100.000		85,074,031
Antelope Valley Hospital District General Fund Obligation	100.000		13,011,464
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$	6,734,933,899
Less: Los Angeles Unified School District Qualified Zone Academy Bonds supported by investment funds and economically defeased certificates of participation			(7,400,000)
Cities' supported bonds			(395,392,615)
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$	6,332,141,284
OVERLAPPING TAX INCREMENT DEBT: (Successor Agencies):		$	(3,223,506,656)
GROSS COMBINED TOTAL DEBT		$	39,111,732,543 (3)
NET COMBINED TOTAL DEBT		$	38,708,939,928

(1) All 100%, or almost 100%, except for Antelope Valley Joint Union High School and Community College District, Fullerton Union High School District, Las Virgenes Joint Unified School District, North Orange County Joint Community College District, and the schools and special districts included in them.

(2) All 100%, or almost 100%, except for Fullerton Union High School District, Las Virgenes Joint Unified School District, Snowline Joint Unified School District, Victor Valley Joint Community College District, and the schools and special districts included in them.

(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Except for Los Angeles Unified School District Qualified Zone Academy Bonds (QZABs) are included based on principal due at maturity.

RATIOS TO 2018-19 ASSESSED VALUATION	
Total Gross Overlapping Tax and Assessment Debt	1.79 %
Total Gross Direct Debt ($2,161,916,630))	0.13 %
Gross Combined Total Debt	2.41 %
Net Combined Total Debt	2.38 %
Ratios to Redevelopment Sucessor Agency Incremental Valuation ($215,090,610,606)	
Total Overlapping Tax Increment Debt	1.50 %

Source: California Municipal Statistics. The above report is included for general information purposes only. The County has not reviewed the debt report for completeness or accuracy and makes no representations in connection therewith.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Economic Overview

With a 2018 Gross Product of $807.0 billion, Los Angeles County's economy is larger than that of 45 states and all but 17 countries. The County serves as the central trade district for the western United States and the U.S. gateway to the Asian economies, as it has evolved into a leader in international commerce and investments. The County's economy continued to experience steady growth in 2018 with an increase in economic output of 5.4%, as measured by Gross Product, and an estimated increase in total taxable sales of 2.7%. The economic expansion is expected to continue in 2019, with several sectors of the local economy experiencing growth.

The County's unemployment rate fell to 4.6% in 2018, which reflects the ongoing improvement in the job market, and the lowest rate of the post-recession period. In 2019 and 2020, the positive trend in the job market is expected to continue, with a projected decline in the average unemployment rate to 4.4% and 4.3% respectively. The significant job losses which occurred during the recession of 2008 and 2009 has been partially offset by the positive impact of major public and private construction projects.

During Fiscal Year 2016-17, voters approved various State and local ballot measures that could generate approximately $151.0 billion in funding for capital infrastructure and public services in the County. In the June and November 2016 elections, the voters in school and community college districts passed over $9.4 billion in general obligation bond measures supported by ad valorem taxes to finance new capital construction and improvement projects, with an average approval rate of over 73%. As of December 31, 2018, K-12 schools and community college districts in the County had approximately $19.4 billion of previously authorized, but unissued bond capacity. The Measure A parcel tax is expected to generate approximately $94 million per year for the County's local parks, beaches, and open space areas, and will replace the expiring funding from voter approved Propositions A in 1992 and 1996. The success of the ballot measures in 2016 may be an indication that County voters are willing to authorize new taxes to finance critical capital infrastructure and public services.

The increase in sales tax revenue resulting from the 2008 voter-approved Measure R and the corresponding 2016 voter-approved Measure M will continue to provide funding for major highway and transit projects throughout the County. Measure M provides an indefinite extension of the increase in sales tax revenue approved by voters through Measure R, which was originally set to expire on July 1, 2039. Measure M is projected to generate $120.0 million of sales tax revenue over the next 40 years for the Los Angeles County Metropolitan Transportation Authority ("MTA") to finance new transportation infrastructure projects.

On March 7, 2017, the voters approved Measure H authorizing a one-quarter percent (0.25%) County sales tax for ten years in order to fund homeless services and prevention. The increase in sales tax revenue resulting from the voter-approved Measure H provides funding to prevent and combat homelessness within the County. Measure H is projected to generate approximately $355.0 million of sales tax revenue per year for the County.

On November 6, 2018, voters passed Measure W authorizing the Los Angeles County Flood Control District to levy a special tax annually at the rate of 2.5 cents per square foot of impermeable area to assist in the capture of stormwater and related pollution clean-up. This Measure is projected to generate approximately $300 million in tax revenue per year for the County until ended by voters (no sunset clause).

In addition, hospitals throughout the County are engaged in building programs to meet stricter earthquake standards and other regulatory requirements. These major construction projects, combined with the terminal expansions under way at the two primary sea ports (Port of Los Angeles and Port of Long Beach), the expansion of the Los Angeles International Airport ("LAX"), and the expansion of the Metro Light Rail System have provided continued support to an improving job market in the County.

In terms of its industrial base, diversity continues to be the County's greatest strength, with wholesale and retail trade, health care, manufacturing, and leisure and hospitality being the leading employment sectors in the private economy. The Los Angeles Customs District ("LACD"), which includes LAX, Port Hueneme, Port of Los Angeles, and the Port of Long Beach, is the largest customs district in the nation. The Los Angeles region is the largest manufacturing center in the nation, with over 341,300 workers employed in this sector in 2018. The two major seaports (Port of Los Angeles and Port of Long Beach) encompass the largest port complex in the nation as measured by cargo tonnage and the number of containers handled, and is ranked as the ninth largest among the world's port facilities. The County's vibrant technology sector known as Silicon Beach has become a large and growing source of highly compensated jobs in the local economy. According to the Los Angeles Economic Development Corporation ("LAEDC"), the County's information technology sector employed 187,600 workers in 2018.

Quality of Life

Higher Education

The County is home to an extensive education system, with 120 colleges and university campuses, including UCLA; five state university campuses; 21 community colleges; prestigious private universities such as USC, Occidental College and Claremont College; religious-affiliated universities such as Pepperdine and Azusa Pacific; renowned technology schools such as the California Institute of Technology and the affiliated Jet Propulsion Laboratory; and specialized institutions such as the California Institute of the Arts, the Art Center College of Design, the Fashion Institute of Design and Merchandising, and the Otis College of Art and Design.

Culture

The County is the cultural center of the western United States and has been referred to as the "entertainment capital of the world," offering world-class museums, theaters, and music venues. The County is home to the world's leading movie studios, television networks, recording studios, video game developers, publishers and artists, creating one of the largest centers for art and entertainment activity in the nation.

The Performing Arts Center of Los Angeles County, which includes the Dorothy Chandler Pavilion, Ahmanson Theater, Mark Taper Forum and Walt Disney Concert Hall, is one of the three largest performing art venues in the nation. The County features more musical and theatrical productions and has more weekly openings than most major cities in the world. The County is home to the Los Angeles Philharmonic Orchestra, which is recognized as one of the finest symphony orchestras in the world.

The County has among the largest number of museums per capita relative to other large metropolitan areas in the world. The area's museums showcase some of the world's finest collections of art, sculpture, manuscripts, and antiquities; as well as providing a historical overview of the area's ethnic heritage and experience. Major institutions include the Los Angeles County Museum of Art, the Los Angeles County Museum of Natural History, the Norton Simon Museum, the J. Paul Getty Museum, the Museum of Contemporary Art, the Huntington Library and the Broad Museum of Contemporary Art. The Broad Museum is located adjacent to the iconic Walt Disney Concert Hall, and has helped to further strengthen and establish downtown Los Angeles as a premiere cultural destination on the west coast.

In March 2018, the Lucas Museum of Narrative Art in Exposition Park broke ground and is set to open in 2021. The $1.5 billion museum facility was co-founded by George Lucas, and will include an art exhibition space, archive, library, an expansive lobby, classrooms, two state-of-the-art theaters, a museum shop, and a café. The museum is located directly across the street from the University of Southern California and west of the Natural History Museum.

Sports and Recreation

With its geographic size, topography, mild climate, and an average of 329 days of sunshine per year, Los Angeles County offers a full spectrum of recreational activities that are enjoyed by residents and visitors on a year-round basis. The County owns and maintains the world's largest man-made recreational harbor at Marina del Rey, and manages over 181 parks, over 200 miles of horse, biking, and hiking trails, natural habitat and the world's largest public golf course system. Each year, millions of people visit the County's 25 miles of public beaches stretching along its 75-mile coastline, with bike enthusiasts able to enjoy the County's 22-mile beach bikeway.

Millions of visitors continue to enjoy the County's multitude of amusement parks, zoos, museums, theaters, sporting venues, motion picture and television studios, parklands, and world-renowned restaurants and retail centers. In addition, the County is the host to a number of major annual events such as the January 1st Rose Parade & Rose Bowl game, Long Beach Grand Prix, Grammy Awards, and the Academy Awards. Los Angeles County has been a prior host to major sporting events such as the Summer Olympics, the World Cup, X Games, BCS College Football National Championship, and the Super Bowl.

In January 2016, National Football League (NFL) team owners voted to allow the St. Louis Rams to move to Los Angeles for the 2016 NFL season. A year later, NFL team owners voted to allow the San Diego Chargers to relocate to Los Angeles for the 2017 NFL season. The future home of the Los Angeles Rams and the Los Angeles Chargers is currently under construction and will feature a new 70,000 seat glass-roofed stadium on a 298 acre site in Inglewood. The new stadium is part of a larger privately financed multibillion-dollar entertainment, retail and housing complex located on the former site of Hollywood Park. The Rams' and Chargers' new stadium is projected to open for the 2020 NFL season at a cost expected to exceed $2 billion. The Rams will play their home games in the Los Angeles Coliseum, and the Chargers will play their home games at the Dignity Health Sports Park (formerly named the StubHub Center) in Carson until the new stadium is completed.

In July 2017, the International Olympic Committee announced that the City of Los Angeles will host the 2028 Summer Olympics. This will be the third time that Los Angeles has hosted the Summer Olympics, with the previous occasions occurring in 1932 and 1984.

On April 18, 2018, a new soccer stadium in Exposition Park was opened to the public. This Gensler-designed stadium seats 22,000, and is the home stadium to the Major League Soccer franchise the Los Angeles Football Club. This $350 million facility also includes shops, restaurants, and conference space.

Population

The County is the most populous county in the U.S. with nearly 10.3 million people estimated to be residing within its borders. The County's population makes it equivalent to the tenth largest state in the nation and accounts for approximately 25.8% of the total population of California. According to the U.S. Census Bureau's demographic profile, the County's population is comprised of 48.6% Hispanic, 26.2% White, 15.3% Asian, 9.0% African American and 0.9% other. The County is home to the highest number of foreign–born residents in the nation and has the largest population of persons of Chinese, Filipino, Japanese, Korean, Mexican, Salvadoran and Thai descent outside their native countries. With 103 consulates, the County has a larger consular corps than any other U.S. city outside of Washington D.C. with more than 220 languages and cultures represented across the County. It is estimated that 78.2% of the adult population has a high school diploma or higher, and 31.2% has a bachelor's degree or higher. Table B illustrates the recent historical growth of the County's population.

Employment

After the most recent economic downturn, which started in late 2007 and had a significant adverse impact on the local economy, the County has continued to experience a steady recovery in the job market since 2010. The average unemployment rate increased from 5.1% in 2007 to 12.5% in 2010, but has experienced a steady decrease over the last eight years to 4.6% in 2018. In comparison, the average unemployment rates for the State of California and the United States in 2018 were 4.2% and 3.9%, respectively. The unemployment rate in the County is expected to experience continued improvement over the next two years, falling to 4.4% in 2019 and 4.3% in 2020, as the County approaches full employment. Table E details the County's historical unemployment rates from 2014 through 2018. The employment situation in the County showed additional signs of improvement in 2018, with estimated total net job growth of 51,100 among the various sectors of the local economy. Table F details the non-agricultural employment statistics by sector for the County from 2014 through 2018.

Personal Income

Total personal income in the County grew by an estimated 3.8% in 2018. The 2018 total personal income of $621.1 billion represents an estimated 25.1% of the total personal income generated in California. The LAEDC is projecting continued growth in personal income of 2.6% for 2019 and 2.1% for 2020. Table C provides a summary of the personal income statistics for the County from 2014 through 2018.

Consumer Spending

As the most populous county in the nation with a vibrant and diverse economy, the County is recognized as a national leader in consumer spending. Based on estimates provided by LAEDC, the County experienced a 4.0% increase in total taxable sales in 2017, with continued growth of 2.7% estimated for 2018. The $164.8 billion of total estimated taxable sales in the County for 2018 represents 24.3% of the total taxable sales in California, which underscores the significant importance of the County to the economic health of California. Table D provides a summary of total taxable sales activity in the County from 2014 through 2018.

Industry

With an estimated annual economic output of $807.0 billion in 2018, the County continues to rank among the world's largest economies. The County's 2018 Gross Product represents approximately 27.3% of the total economic output in California and 3.9% of the Gross Product of the United States. The County's business environment is distinguished by its diversity and balance and it is recognized as a world leader in technology, electronics, energy, communications, and entertainment. The top industries in the manufacturing sector include computer and electronics, apparel, transportation equipment, fabricated metal products, and food. Table A provides the Gross Product statistics for the County from 2014 through 2018.

International Trade

Due to its strategic location, broad transportation network and extensive cargo facilities, the County has become the leading center of international trade in the United States. The County's airports and extensive port facilities serve as the gateway for the Southern California region's thriving international trade. The value of two-way trade in the LACD experienced steady growth over the previous decade, resulting in a record level of $357.1 billion in 2008. The value of two-way trade in the LACD grew by 26.7% from 2009 to 2017, handling approximately $431.0 billion worth of international trade, which represents an 8.3% increase from 2016.

Transportation/Infrastructure

The County is one of the world's largest transportation centers. The region's ports, airports, integrated rail and highway facilities are part of an extensive transportation infrastructure that provides valuable service to residents, visitors, and industry.

Airports and Harbors

All transcontinental airlines and many international carriers serve the Los Angeles area through major air terminals at LAX, Long Beach Airport and the Bob Hope Airport in Burbank. LAX is ranked as the fourth busiest airport in the world and second in the United States for passenger traffic. In 2018, LAX served 87.5 million passengers, representing a 3.5% increase from the previous year. The 2.45 million tons of air cargo handled at LAX in 2018, represents an increase of 2.4% from 2017 levels. The $14 billion capital improvement project currently underway at LAX is expected to generate approximately 121,000 local jobs and is projected to last through 2023. On May 2, 2016, the Bob Hope Airport changed its branding name to Hollywood Burbank Airport in an effort to increase name recognition outside of Southern California. The Hollywood Burbank Airport is currently in the pre-planning stage to replace its 14-gate terminal with a new state of the art facility. Construction is expected to begin on the replacement terminal sometime between 2021 and 2022.

The Ports of Los Angeles and Long Beach are adjacent ports that encompass the nation's largest port complex in terms of annual cargo tonnage and container volume. The combined Los Angeles/Long Beach port complex has been one of the fastest growing port facilities in the United States, and is the busiest port complex in the U.S. and western hemisphere, and the tenth busiest in the world. The port complex is a powerful economic force in the region, with a direct connection to hundreds of thousands of jobs in Southern California and billions of dollars in state and local tax revenue.

The Port of Los Angeles is one of the largest man-made harbors in the world. In 2017, it was ranked as the busiest container port in the United States and the seventeenth (17^{th}) busiest in the world, as measured by annual container volume. The Port of Los Angeles covers over 7,500 acres and includes 43 miles of waterfront. The Port has 27 passenger and cargo terminals, including facilities to handle automobiles, containers, dry bulk and liquid bulk products. In 2018, the Port handled 9.5 million TEUs, which represents a 1.2% increase in container volume from 2017.

The Port of Long Beach is also among the world's busiest container ports, and was ranked behind the Port of Los Angeles as the second busiest port in the nation, and the twenty-first (21^{st}) busiest in the world in 2017. The Port of Long Beach covers 3,200 acres with 10 separate piers, 62 berths, 68 cranes and 22 shipping terminals. In 2018, the port handled nearly 8.1 million TEUs of container cargo, which represents an increase of 7.2% from 2017.

Port Expansion

The Ports of Los Angeles and Long Beach are currently in the process of major ongoing expansion programs that will facilitate further growth and expansion of trade activity. The expansion of port facilities will continue to have a positive economic impact on the region through the creation of new jobs in the trade-related sectors of the local economy. The various expansion related projects will enable the region to more effectively manage higher volumes of imports and exports and provide a faster and more efficient system for the transportation of cargo from the port complex to markets nationwide.

Metro System

The Metro System is a multi-modal and integrated passenger transportation system that provides service to the greater Los Angeles area. With over 393 million in annual boardings, the Metro System is the largest public transportation system in the U.S. The Metro System was designed to meet the travel needs of the area's diverse population centers through a variety of transportation services that will be implemented over a 30-year period. The integrated Metro System is administered and operated by the MTA, which is responsible for the planning, design, construction and operation of the public transportation system for the County. The Fiscal Year 2018-19 operating budget for the MTA is $6.6 billion, which is funded primarily through voter approved State and local sales taxes, State gasoline taxes, and various Federal, State and local grants. The MTA is currently working on approximately $18.9 billion of multiple transportation infrastructure projects which include, Airport Rail Connector and Green Line Extension; East San Fernando Valley Transit Corridor; Gold Line Rail Extension; Purple Line Rail Subway Extension; West Santa Anita Light Rail Corridor; Orange Line BRT Improvements; South Bay Green Line Rail Extension and the Crenshaw/LAX Light Rail Extension.

Visitor and Convention Business

Tens of millions of visitors travel to Southern California each year, providing a significant contribution to the County's economy. In 2018, the Los Angeles region hosted a record high of 50 million visitors, representing a 3.1% increase from 2017. According to the Los Angeles Convention and Visitors Bureau, a record 7.5 million foreign residents visited the region in 2018, which represents a 3.6% increase compared to 2017. Recently constructed hotels in downtown Los Angeles, Beverly Hills and Hollywood are attracting additional business and leisure travelers to the County.

Real Estate and Construction

After enduring the adverse effects of the economic downturn starting in late 2007, the County's residential housing market has experienced a strong and steady recovery since 2012. The average median price for new and existing homes, decreased by nearly 46% from a peak of $532,281 in 2007 to a cyclical low of $290,015 in January 2012. However, the real estate market stabilized in 2012 and began a strong recovery as the average median home price increased by 81.1% from 2012 to 2018.

In 2018, the real estate market continued to experience strong growth, as the average median home price increased by 6.6% to $598,368 from 2017. After a record high of 105,433 in 2009, notices of default recorded has decreased by 90.8% to 9,726 in 2018, which represents a decrease of 14.7% from 2017. Foreclosures, as measured by the number of trustees deeds recorded, has experienced a significant decrease of over 95% from a cyclical high of 39,774 in 2008 to 1,792 in 2018. The number of trustees deeds recorded in 2018 represents a 30% decrease from 2017 (2,570 to 1,792).

Despite the severe downturn in the housing market from 2007 to 2011, the County has maintained stable assessed valuations. The stability of the property tax base is primarily due to the significant amount of "stored value" in the secured property tax roll as a result of Proposition 13. For Fiscal Year 2018-19, the County Assessor reported a Net Local Roll of $1.510 trillion, which represents a 6.62% increase from the Net Local Roll of $1.416 trillion in Fiscal Year 2017-18. The Net Local Roll in Fiscal Year 2018-19 represents a 39.8% increase from Fiscal Year 2011-12, and the eighth consecutive year of growth in assessed valuation after the recent economic downturn.

The commercial real estate sector continued to show improvement in 2018. Construction lending experienced robust growth of 49.9% from $13,619 billion in 2017 to $20,419 billion in 2018. Office market vacancy rates improved slightly from 2017 to 2018, with a decrease in the average vacancy rate from 14.6% to 14.5%, which is still significantly higher than the 9.7% rate in 2007, prior to the economic downturn. Industrial market vacancy rates decreased to 1.1% in 2018 from 1.2% in 2017, which is lower than the 1.5% vacancy rate in 2007 prior to the economic downturn.

On June 23, 2017, the InterContinental hotel in the Wilshire Grand Center in Downtown Los Angeles opened after several years of construction. The 73-story, 1,100-foot tall structure, includes an InterContinental hotel, office space and condominiums, represents a $1.35 billion private investment in Downtown Los Angeles. In August 2017, the University of Southern California completed a $700 million mixed-use complex adjacent to its main campus, which is located just south of Downtown Los Angeles. The 1.2 million-square foot complex includes seven residential halls, a 30,000 square-foot fitness center, and is home to commercial tenants such as Trader Joes, Target and CVS. In November 2018, demolition began on the Grand, a $1 billion mixed use development project designed by Frank Gehry. Construction of the Grand, with 39 stories and more than 400 condos and apartments is expected to be completed by the fall of 2021.

COUNTY OF LOS ANGELES
ECONOMIC AND DEMOGRAPHIC STATISTICAL TABLES

TABLE A: GROSS PRODUCT OF LOS ANGELES COUNTY (in billions of $)

	2014	2015	2016	2017	2018
Los Angeles County	$665	$708	$732	$766	$807
State of California	2,397	2,557	2,665	2,798	2,952
United States	17,522	18,219	18,707	19,485	20,503
Los Angeles County as a % of California	27.7%	27.7%	27.5%	27.4%	27.3%

Source: Los Angeles County Economic Development Corporation 2019-2020 Economic Forecast; Bureau of Economic Analysis-US Department of Commerce

TABLE B: POPULATION LEVELS (in thousands)

	2014	2015	2016	2017	2018
Los Angeles County	10,088	10,150	10,180	10,231	10,284
State of California	38,569	38,912	39,180	39,501	39,810
Los Angeles County as a % of California	26.2%	26.1%	26.0%	25.9%	25.8%

Source: Los Angeles County Economic Development Corporation 2019-2020 Economic Forecast

TABLE C: TOTAL PERSONAL INCOME: HISTORICAL SUMMARY BY COUNTY (in millions of $)

	2014	2015	2016	2017	2018
Los Angeles County	$524,294	$559,934	$576,678	$598,223	$621,123
Orange County	237,117	258,655	263,991	277,852	291,224
San Diego County	170,486	180,715	186,796	195,669	204,490
Riverside and San Bernardino Counties	152,611	162,993	170,163	178,193	187,070
Ventura County	44,627	47,084	48,348	50,180	52,145
State of California	2,021,640	2,173,300	2,259,414	2,364,129	2,476,886
Los Angeles County as a % of California	25.9%	25.8%	25.5%	25.3%	25.1%

Source: Los Angeles County Economic Development Corporation 2019-2020 Economic Forecast

TABLE D: TOTAL TAXABLE SALES IN LOS ANGELES COUNTY (in millions of $)

	2014	2015	2016	2017f	2018f
Los Angeles County	$147,447	$151,034	$154,208	$160,437	$164,799
State of California	615,822	633,884	649,079	664,124	679,518
Los Angeles County as a % of California	23.9%	23.8%	23.8%	24.2%	24.3%

Source: Board of Equalization; Please note that BOE is no longer updating taxable sales. LAEDC forecast taxable sales for 2017 and 2018.

TABLE E: UNEMPLOYMENT RATES

	2014	2015	2016	2017	2018
Los Angeles County	8.3%	6.6%	5.2%	4.7%	4.6%
State of California	7.5%	6.2%	5.5%	4.8%	4.2%
United States	6.2%	5.3%	4.9%	4.4%	3.9%

Source: Los Angeles County Economic Development Corporation 2019-2020 Economic Forecast

TABLE F: ESTIMATED AVERAGE ANNUAL EMPLOYMENT IN LOS ANGELES COUNTY BY SECTOR

Non-Agricultural Wage and Salary Workers (in thousands)

Employment Sector	2014	2015	2016	2017	2018
Health Care & Social Assistance	610.2	629.9	650.8	675.9	699.8
Wholesale & Retail Trade	631.1	639.6	640.0	644.9	634.7
Government	531.9	549.8	561.9	568.2	580.4
Lesiure and Hospitality	464.6	484.5	506.3	520.6	533.1
Manufacturing	361.2	357.5	355.4	346.4	341.3
Professional Scientific & Technical Services	275.7	277.4	274.3	281.4	285.5
Administrative & Support & Waste Services	264.4	263.7	266.5	267.4	262.8
Transportation, Warehousing & Utilities	155.6	164.1	173.8	184.0	192.2
Other	173.0	180.4	182.8	178.5	188.6
Information	196.6	204.2	227.7	200.5	187.6
Construction	118.8	126.0	132.6	137.4	143.4
Finance & Insurance	132.1	133.2	136.8	136.1	135.6
Educational Services	104.7	97.8	97.9	100.4	103.8
Real Estate & Rental & Leasing	75.9	79.2	81.0	83.6	85.1
Management of Companies & Enterprises	58.8	57.4	56.3	56.6	59.1
Total	4,154.6	4,244.7	4,344.1	4,381.9	4,433.0

Source: Los Angeles County Economic Development Corporation; California Employment Development Department

TABLE G: SUMMARY OF AIRPORT AND PORT ACTIVITY (in thousands)

Type of Activity	2014	2015	2016	2017	2018
International Air Cargo (Tons)					
Los Angeles International Airport	1,176.3	1,284.7	1,336.3	1,476.7	1,557.6
As Percentage of Total Air Cargo	58.78%	60.24%	60.59%	61.80%	63.68%
Total Air Cargo (Tons)					
Los Angeles International Airport	2,001.2	2,132.5	2,205.3	2,389.5	2,446.1
Long Beach Airport	25.5	23.9	25.2	23.0	21.6
Hollywood Burbank Airport	56.3	54.8	53.3	54.4	56.5
Total	2,083.0	2,211.2	2,283.8	2,466.9	2,524.2
International Air Passengers					
Los Angeles International Airport	19,105.7	20,740.1	22,850.2	24,829.4	26,053.6
As Percentage of Total Passengers	27.04%	27.68%	28.24%	29.36%	29.76%
Total Air Passengers					
Los Angeles International Airport	70,662.2	74,936.3	80,921.5	84,558.0	87,534.4
Long Beach Airport	2,824.0	2,523.7	2,841.1	3,783.8	3,884.7
Hollywood Burbank Airport	3,861.2	3,943.6	4,142.9	4,739.5	4,739.5
Total	77,347.4	81,403.6	87,905.5	93,081.3	96,158.6
Container Volume (TEUs)					
Port of Los Angeles	8,340.1	8,160.5	8,856.8	9,343.2	9,458.7
Port of Long Beach	6,820.8	7,192.1	6,775.2	7,544.5	8,091.0
Total	15,160.9	15,352.6	15,632.0	16,887.7	17,549.7

Source: Los Angeles World Airports, Hollywood Burbank Airport, Long Beach Airport, Port of Long Beach, Port of Los Angeles

TABLE H: VALUE OF INTERNATIONAL TRADE AT MAJOR CUSTOMS DISTRICTS (in millions of $)

Customs District	2013	2014	2015	2016	2017
Los Angeles, CA	$414,723	$417,974	$393,594	$397,972	$431,030
New York, NY	378,895	387,051	370,181	356,551	364,178
Laredo, TX	253,056	280,572	285,043	283,018	303,362
Detroit, MI	253,613	262,378	245,163	247,973	264,462
Chicago, IL	192,537	210,928	201,734	196,318	223,545
New Orleans, LA	235,038	234,341	199,245	193,507	217,542
Houston-Galveston, TX	251,731	252,440	195,403	161,392	192,048
Savannah, GA	129,526	141,954	148,723	143,810	155,762
Seattle, WA	143,993	152,700	154,755	147,338	149,264
Cleveland, OH	122,563	131,911	129,889	131,897	142,794

Source: Los Angeles County Economic Development Corporation; USA Trade Online

TABLE I: TOTAL TONNAGE OF MAJOR WEST COAST PORTS (in thousands)

Port	2013	2014	2015	2016	2017
Los Angeles-Long Beach, CA	207,252	210,440	204,800	209,685	222,979
Tacoma, WA	31,861	34,936	34,149	38,153	34,697
Oakland, CA	30,906	30,540	29,020	31,100	31,388
Seattle, WA	18,104	14,422	14,906	15,134	17,848
Kalama, WA	9,304	9,725	12,080	14,241	14,070
Portland, OR	13,571	14,573	9,798	9,743	12,184
Port Hueneme	4,921	5,240	5,774	5,381	5,910
San Diego, CA	5,168	5,358	5,591	5,999	5,193
Vancouver, WA	2,001	2,855	3,014	2,748	2,866

Source: Los Angeles County Economic Development Corporation; Pacific Maritime Assocation, Annual Reports

TABLE J: TOTAL CONTAINER TRAFFIC AT MAJOR U.S. PORTS (TEUs in thousands)

Port	2013	2014	2015	2016	2017
Los Angeles-Long Beach, CA	14,599	15,161	15,353	16,888	17,550
New York-New Jersey, NY	5,467	5,772	6,372	6,252	6,711
Savannah, GA	3,034	3,346	3,737	3,645	4,046
Seattle-Tacoma, WA	3,456	3,394	3,529	3,616	3,702
Norfolk, VA	2,224	2,393	2,549	2,657	2,841
Houston, TX	1,950	1,951	2,131	2,183	2,459
Oakland, CA	2,347	2,394	2,278	2,370	2,421
Charleston, SC	1,601	1,792	1,973	1,996	2,176

Source: Los Angeles County Economic Development Corporation; Port of Los Angeles, Port of Long Beach, The Port Authority of New York and New Jersey, Port of Oakland, Port of Virginia, The Northwest Seaport Alliance, Port of Houston Authority, South Carolina Ports

TABLE K: REAL ESTATE AND CONSTRUCTION INDICATORS IN LOS ANGELES COUNTY

Indicator	2014	2015	2016	2017	2018
1. Construction Lending (in millions)	$8,750	$9,711	$11,979	$13,619	$20,419
2. Residential Purchase Lending (in millions)	$31,441	$48,832	$53,362	$53,764	$48,170
3. New & Existing Median Home Prices	$458,677	$490,083	$521,558	$561,335	$598,368
4. New & Existing Home Sales	76,348	81,188	81,061	82,318	75,092
5. Notices of Default Recorded	17,883	17,422	13,802	11,402	9,726
6. Unsold New Housing (at year-end)	552	620	1,217	N/A*	N/A*
7. Office Market Vacancy Rates	14.9%	14.7%	14.1%	14.6%	14.5%
8. Industrial Market Vacancy Rates	1.5%	0.8%	0.8%	1.2%	1.1%

**2017 & 2018 data are unavailable.*

Source: Real Estate Research Council of Southern California - 4th Quarter 2018

TABLE L: BUILDING PERMITS AND VALUATIONS

	2014	2015	2016	2017	2018
Residential Building Permits					
1. New Residential Permits (Units)					
a. Single Family	4,286	4,297	4,664	5,559	5,800
b. Multi-Family	14,595	18,638	15,272	16,451	16,765
Total Residential Building Permits	18,881	22,935	19,936	22,010	22,565
Building Valuations					
2. Residential Building Valuations (in millions of $)					
a. Single Family	$1,740	$1,868	$2,096	$2,376	$2,155
b. Multi-Family	2,310	2,877	2,765	3,173	3,162
c. Alterations and Additions	1,429	1,591	1,550	1,692	1,754
Residential Building Valuations Subtotal	$5,479	$6,336	$6,411	$7,241	$7,071
3. Non-Residential Building Valuations (in millions of $)					
a. Office Buildings	$269	$347	$345	$498	$426
b. Retail Buildings	829	472	541	688	770
c. Hotels and Motels	359	327	332	89	213
d. Industrial Buildings	122	85	154	132	91
e. Alterations and Additions	3,155	2,629	2,774	2,999	2,424
f. Other	1,507	1,025	618	876	1,724
Non-Residential Building Valuations Subtotal	$6,241	$4,885	$4,764	$5,282	$5,648
Total Building Valuations (in millions)	$11,720	$11,221	$11,175	$12,523	$12,719

Source: Real Estate Research Council of Southern California - 4th Quarter 2018

TABLE M: LARGEST PRIVATE SECTOR EMPLOYERS IN LOS ANGELES COUNTY

	Company (in order of 2017 Ranking)	Industry	Headquarters	No. of Employees L.A. County	No. of Employees Total
1	Kaiser Permanente	Health Care Provider	Oakland, CA	37,468	277,123
2	University of Southern California	Education-Private University	Los Angeles, CA	21,055	21,457
3	Northrop Grumman Corp.	Aerospace/Defense Contractor	Falls Church, VA	16,600	67,000
4	Providence Health & Services	Health Care	Renton, WA	15,952	88,457
5	Target Corp.	Retailer	Minneapolis, MN	15,000	345,000
6	Ralphs/Food 4 Less (Kroger Co.)	Grocery Retailer	Cincinnati, OH	14,970	443,000
7	Cedars-Sinai Medical Center	Medical Center	Los Angeles, CA	14,903	14,934
8	Walt Disney Co.	Entertainment	Burbank, CA	13,000	199,000
9	Allied Universal	Security Professional and Safety Services	Santa Ana, CA/ Conshohocken, PA	12,879	160,000
10	NBCUniversal	Entertainment	New York, NY	12,000	N/A
11	AT&T Inc.	Telecommunications	Dallas, TX	11,500	249,000
12	Home Depot	Home Improvement Specialty Retailer	Atlanta, GA	11,200	400,000
13	Albertsons/Vons/Pavilions	Grocery Retailer	Boise, Idaho	10,200	275,000
14	UPS	Transportation and Freight	Atlanta, GA	9,553	N/A
15	California Institute of Technology	Private University and Jet Propulsion Lab	Pasadena, CA	8,697	9,706
16	Wells Fargo	Diversified Financial Services	San Francisco, CA	8,582	265,000
17	ABM Industries, Inc.	Facility Services, Janitorial, Parking	San Francisco, CA	8,000	140,000
18	FedEx Corp.	Shipping and Logistics	Memphis, TN	7,000	N/A
19	Bank of America Corp.	Banking and Financial Services	Charlotte, NC	6,572	209,000
20	Dignity Health	Hospitals	San Francisco, CA	6,200	60,000
21	Space Exploration Technologies Corp. (SpaceX)	Rockets and Spacecraft	Hawthorne, CA	6,000	N/A
22	City of Hope	Cancer Treatment and Research Center	Duarte, CA	5,950	6,051
23	Raytheon Co.	Aerospace/Defense Contractor	Waltham, MA	5,800	64,000
24	Children's Hospital Los Angeles	Hospital	Los Angeles, CA	5,735	5,735
25	Costco Wholesale	Membership Chain of Warehouse Stores	Issaquah, WA	5,445	231,000

N/A - Not Available

Source: Los Angeles Business Journal - The largest employers ranked by employees in L.A. County - The List, August 2018

APPENDIX B

COUNTY OF LOS ANGELES FINANCIAL STATEMENTS

COUNTY OF LOS ANGELES, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
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mGO Certified Public Accountants

Independent Auditor's Report

The Honorable Board of Supervisors
County of Los Angeles, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Los Angeles, California (County), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Community Development Commission (CDC) (discretely presented component unit), the Los Angeles County Children and Families First – Proposition 10 Commission (First 5 LA) (discretely presented component unit) and the Los Angeles County Employees Retirement Association (LACERA), which represent the following percentages of the assets, net position/fund balances, and revenues/additions of the following opinion units.

Opinion Unit	Assets	Net Position/ Fund Balances	Revenues/Additions
Aggregate discretely presented component units	100%	100%	100%
Aggregate remaining fund information	70%	73%	13%

Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for CDC, First 5 LA, and LACERA is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Los Angeles, California, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Fire Protection District, Flood Control District, County Library, Regional Park and Open Space District, and Mental Health Services Act for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the basic financial statements, effective July 1, 2017, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The implementation of the statement resulted in a restatement of net position as of July 1, 2017 in the amount of $9,451,237,000 and $1,994,180,000 for governmental activities and business-type activities, respectively. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 24, the schedule of the County's proportionate share of the net pension liability and related ratios, the schedule of County's pension contributions, the schedule of County's proportionate share of the net RHC OPEB liability, the schedule of County's RHC OPEB contributions and the schedule of changes in the total LTD OPEB liability and related ratios on pages 161 through 166 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Macias Gini & O'Connell LLP

Los Angeles, California
December 13, 2018

COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

This section of the County's Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of financial activities for the year ended June 30, 2018. We recommend that this information be used in conjunction with additional information contained in the letter of transmittal.

Financial Highlights

At the end of the current year, the net position (total assets and deferred outflows of resources, reduced by total liabilities and deferred inflows of resources) of the County was negative $13.518 billion. Net position is classified into three categories and the unrestricted component is negative $34.482 billion. During the current year, the County implemented Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" (GASB 75). GASB 75 had a material effect on the County's beginning net position, which was restated and reduced by $11.445 billion. See further discussion in Notes 2 and 9 to the basic financial statements.

During the current year, the County's net position decreased by $935 million. Net position related to governmental activities decreased by $1.027 billion, while net position related to business-type activities increased by $92 million.

At the end of the current year, the County's General Fund reported a total fund balance of $3.895 billion. The fund balance categories and amounts consisted of nonspendable fund balance of $137 million, restricted fund balance of $77 million, committed fund balance of $705 million, assigned fund balance of $480 million, and $2.496 billion of unassigned fund balance.

The County's capital asset balances were $19.519 billion at year-end and decreased by $67 million during the year.

During the current year, the County's total long-term debt increased by $54 million. Newly issued and accreted long-term debt of $348 million were more than the long-term debt maturities of $294 million.

Overview of the Basic Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements, which are comprised of the following three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

This report also includes other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all County assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources, which represent net position. Over time, increases and decreases in net position may serve as an indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information that indicates how the County's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying events giving rise to the changes occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that affect cash flows in future periods. For example, property tax revenues have been recorded that have been earned but not yet collected and pension and Other Postemployment Benefits (OPEB) expenses have been accrued but not yet paid.

The government-wide financial statements report the following different types of programs or activities:

- Governmental Activities - The majority of County services are reported under this category. Taxes and intergovernmental revenues are the major revenue sources that fund these activities, which include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, recreation and cultural services, and interest on long-term debt.

- Business-type Activities - County services that are intended to recover costs through user charges and fees are reported under this category. The County Hospitals, the Waterworks Districts, and the Aviation Funds represent the County's business activities.

- Discretely Presented Component Units - Component units are separate entities for which the County is financially accountable. The Community Development Commission and First 5 LA are displayed as discretely presented in the financial statements.

FUND FINANCIAL STATEMENTS

The fund financial statements contain information regarding major individual funds. A fund is a fiscal and accounting entity with a balanced set of accounts. The County uses separate funds to ensure compliance with fiscal and legal requirements.

The County's funds are classified into the following three categories:

- Governmental Funds - These funds are used to account for essentially the same services that were previously described as governmental activities above. However, the fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. Governmental funds include the General Fund, as well as Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Permanent Funds.

- Proprietary Funds - These funds are used to account for functions that are classified as "business-type activities" in the government-wide financial statements. The County's Internal Service Funds are also reported within the proprietary fund section. The County's four Hospital Funds and Waterworks Funds are all considered major funds for presentation purposes. There is one nonmajor enterprise fund (Aviation Funds) and it is displayed with the other major enterprise funds.

- Fiduciary Funds - These funds are used to report assets held in a trustee or agency capacity for others and cannot be used to support the County's programs. The Pension and Other Postemployment Benefit Trust Funds, the Investment Trust Funds, and Agency Funds are reported in this fund category, using the accrual basis of accounting.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the County's proportionate share of the net pension liability and related ratios, the County's contributions to pension benefits, the County's proportionate share of the net Retiree Healthcare OPEB Liability, the County's contributions to OPEB, and the schedule of changes in the total Long-Term Disability OPEB liability and related ratios.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $13.518 billion at the close of the most recent fiscal year.

Summary of Net Position
As of June 30, 2018 and 2017 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2018	2017 (1)	2018	2017 (1)	2018	2017 (1)
Current and other assets	$ 11,472,818	$ 10,670,204	$ 2,629,318	$ 2,523,199	$ 14,102,136	$ 13,193,403
Capital assets	16,271,623	16,427,686	3,247,254	3,157,869	19,518,877	19,585,555
Total assets	27,744,441	27,097,890	5,876,572	5,681,068	33,621,013	32,778,958
Deferred outflows of resources	4,387,213	3,139,442	793,005	539,905	5,180,218	3,679,347
Current and other liabilities	3,139,671	2,781,663	553,750	476,147	3,693,421	3,257,810
Long-term liabilities	37,194,272	26,753,872	8,549,718	6,532,381	45,743,990	33,286,253
Total liabilities	40,333,943	29,535,535	9,103,468	7,008,528	49,437,411	36,544,063
Deferred inflows of resources	2,447,435	873,620	434,369	178,415	2,881,804	1,052,035
Net position:						
Net investment in capital assets	14,984,847	15,165,318	2,320,256	2,305,050	17,305,103	17,470,368
Restricted	3,524,215	3,391,358	134,647	112,775	3,658,862	3,504,133
Unrestricted (deficit)	(29,158,786)	(18,728,499)	(5,323,163)	(3,383,795)	(34,481,949)	(22,112,294)
Total net position	$ (10,649,724)	$ (171,823)	$ (2,868,260)	$ (965,970)	$ (13,517,984)	$ (1,137,793)

(1) The 2017 amounts were not restated for GASB 75.

Significant changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources included the following:

Current and Other Assets

Current and other assets increased by $803 million for governmental activities and by $106 million for business-type activities. For governmental activities, there was an increase of $567 million in pooled cash and investments, largely due to the improved cash position of the County's General Fund and the Mental Health Services Act (MHSA) Fund, which grew by $237 million and $164 million, respectively, over the prior year. In addition, other receivables increased by $167 million, as the County's General Fund and the Homeless and Housing Measure H nonmajor Special Revenue Fund were higher by $40 million and $102 million, respectively, over the prior year.

For business-type activities, current and other assets increased by $106 million. Hospital pooled cash and investments increased by $63 million over the prior year. In addition, the hospital accounts receivable were higher in the current year by $75 million.

Deferred Outflows of Resources

In the current year, the County's deferred outflows of resources were $5.180 billion. The deferred outflows of resources were $4.387 billion and $793 million for governmental and business-type activities, respectively. The total deferred outflows of resources amounts and net increases of $1.501 billion were almost all related to pension and OPEB. The total pension related deferred outflows increased by $544 million and $113 million for governmental and business-type activities, respectively, from the prior year. These amounts vary from year to year due to differences between projected and actual experience, assumption changes and changes in proportion, as required by GASB 68. The current year implementation of GASB 75 added OPEB deferred outflows of resources of $845 million. OPEB deferred outflows of resources were $705 million and $140 million for governmental and business-type activities, respectively.

Liabilities

Current and other liabilities increased by $358 million for governmental activities. The largest component of this increase is $310 million for advances payable, largely due to higher advances for health, mental health, public protection and social services programs. In addition, accrued payroll was higher by $34 million due to increases in amounts owed for the year-end payroll accruals. For business-type activities, a net increase of $78 million in current and other liabilities was largely associated with increases in accounts payable for the hospitals.

Long-term liabilities increased by $10.440 billion for governmental activities and by $2.017 billion for business-type activities. Net OPEB liabilities significantly increased by $9.745 billion for governmental and $2.050 billion for business-type activities, respectively, as a result of GASB 75. Net pension liabilities increased in the current year by $391 million and $187 million for governmental and business-type activities, respectively. Liabilities were also higher for workers' compensation and compensated absences. Specific disclosures related to pension liabilities, OPEB liabilities, and other changes in long-term liabilities are discussed and referenced in Notes 8, 9, and 11 to the basic financial statements, respectively.

Deferred Inflows of Resources

In the current year, the County's deferred inflows of resources were $2.882 billion. Deferred inflows of resources were $2.447 billion and $434 million for governmental and business-type activities, respectively. The increase in deferred inflows of resources of $1.830 billion were almost all related to OPEB. The current year implementation of GASB 75 added OPEB deferred inflows of resources of $1.817 billion. OPEB deferred inflows of resources were $1.507 billion and $310 million for governmental and business-type activities, respectively. These amounts vary from year to year due to differences between projected and actual experience, assumption changes and changes in proportion, as required by GASB 75. OPEB matters are discussed in more detail in Note 9 to the basic financial statements.

The total pension related deferred inflows increased by $16 million from the prior year. These amounts vary from year to year due to differences between projected and actual experience, assumption changes and changes in proportion, as required by GASB 68. Pension matters are discussed in more detail in Note 8 to the basic financial statements.

For service concession arrangements, there were also $87 million of deferred inflows of resources recognized in the current year, which represents a decrease of $3 million from the prior year. This amount represents the present value of installment payments associated with private operators of twenty County golf courses, as discussed in Note 7 to the basic financial statements.

The County's total net position consists of the following three components:

Net Investment in Capital Assets

The largest portion of the County's net position, $17.305 billion, represents its investment in capital assets (i.e., land, buildings and improvements, infrastructure, software and equipment, net of related depreciation), less any related debt and related deferred outflows of resources used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted Net Position

The County's restricted net position at year-end was $3.659 billion. Asset restrictions are primarily due to external restrictions imposed by State legislation and bond covenants. Net position that pertains to the various separate legal entities included in the basic financial statements is also generally restricted because the entities' funding sources require that funds be used for specific purposes.

Unrestricted Net Position (Deficit)

The County's total unrestricted net position is negative $34.482 billion. Both governmental and business-type activities reported deficits in this category of $29.159 billion and $5.323 billion, respectively. OPEB related liabilities of $26.322 billion, along with pension liabilities totaling $10.850 billion, continued to be the most significant factors associated with the reported deficits.

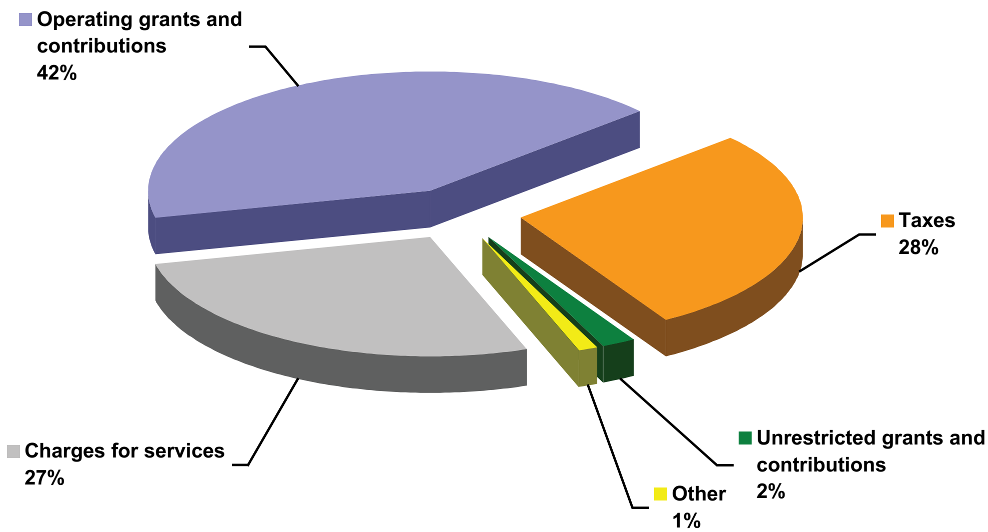
The following table details and identifies changes in net position for governmental and business-type activities:

Summary of Changes in Net Position
For the Years Ended June 30, 2018 and 2017
(in thousands)

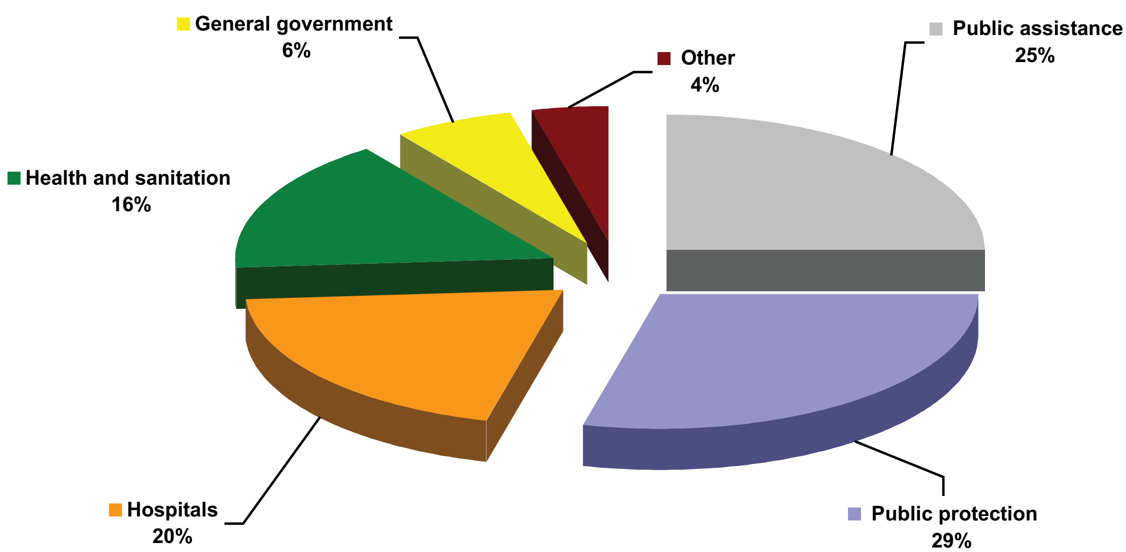
	Governmental Activities		Business-type Activities		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Revenues:		(1)		(1)		(1)
Program revenues:						
Charges for services	$ 2,861,290	$ 2,779,483	$ 4,155,049	$ 3,959,188	$ 7,016,339	$ 6,738,671
Operating grants and contributions	10,263,315	9,795,607	651,303	457,686	10,914,618	10,253,293
Capital grants and contributions	26,310	64,055	8,291	1,195	34,601	65,250
General revenues:						
Taxes	7,475,813	6,826,908	6,013	5,676	7,481,826	6,832,584
Unrestricted grants and contributions	433,799	428,435			433,799	428,435
Investment earnings	101,730	53,363	675	898	102,405	54,261
Miscellaneous	149,384	178,922	110	122	149,494	179,044
Total revenues	21,311,641	20,126,773	4,821,441	4,424,765	26,133,082	24,551,538
Expenses:						
General government	1,579,367	1,354,561			1,579,367	1,354,561
Public protection	7,841,468	7,532,191			7,841,468	7,532,191
Public ways and facilities	415,805	397,231			415,805	397,231
Health and sanitation	4,307,099	3,868,785			4,307,099	3,868,785
Public assistance	6,693,008	6,441,552			6,693,008	6,441,552
Education	160,097	127,901			160,097	127,901
Recreation and cultural services	487,173	276,625			487,173	276,625
Interest on long-term debt	106,425	104,899			106,425	104,899
Hospitals			5,370,965	4,990,891	5,370,965	4,990,891
Waterworks			95,301	90,517	95,301	90,517
Aviation			11,148	2,776	11,148	2,776
Total expenses	21,590,442	20,103,745	5,477,414	5,084,184	27,067,856	25,187,929
Excess (deficiency) before transfers	(278,801)	23,028	(655,973)	(659,419)	(934,774)	(636,391)
Transfers	(747,863)	(777,901)	747,863	777,901		
Changes in net position	(1,026,664)	(754,873)	91,890	118,482	(934,774)	(636,391)
Net position - beginning, as restated in 2018	(9,623,060)	583,050	(2,960,150)	(1,084,452)	(12,583,210)	(501,402)
Net position - ending	$ (10,649,724)	$ (171,823)	$ (2,868,260)	$ (965,970)	$ (13,517,984)	$ (1,137,793)

(1) The 2017 amounts were not restated for GASB 75.

REVENUES BY SOURCE – ALL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018



EXPENSES BY TYPE – ALL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018



Governmental Activities

Revenues from governmental activities increased by $1.185 billion (5.9%) when compared with the prior year. The most significant changes in specific revenue sources were experienced in the following areas:

- Program revenues recognized from operating grants and contributions increased by $468 million. For health and sanitation programs, there was net revenue growth of $156 million. New revenues of $112 million were associated with the Housing for Health and the Public Health Redesign and Incentives in Medi-Cal (PRIME) programs. State and federal funding for mental health programs grew by $108 million. Pursuant to Assembly Bill 85 (AB85), the County is subject to State withholding of revenues known as "1991 County Health Realignment Funds." The amounts withheld are based on an assumption that County healthcare costs for the indigent population will decrease. The funds will be reconciled and trued-up two years after the fiscal year in which the amounts were withheld. For the current year, there was a net decrease of $82 million from the State Health Realignment revenues for health services. Revenues for public assistance programs grew by $173 million as there were higher levels of administrative and program costs which are primarily funded from federal and State reimbursement.

- Taxes, the County's largest general revenue source, were $649 million higher than the prior year and were mostly attributable to increased property taxes and sales and use tax, which grew by $361 million and $276 million, respectively. The County's assessed property tax roll grew by 6.0% in the current year. Property tax revenues were also recognized in conjunction with the dissolution of redevelopment agencies. "Pass through" payments from redevelopment dissolution were $307 million and increased by $37 million from the prior year. Redevelopment dissolution also provides residual property taxes to local governments, including the County. The County's share of such residual tax revenues in the current year was $239 million, an increase of $26 million compared to the prior year. Revenues also grew by $260 million from the Homeless and Housing Measure H program sales and use taxes. This program began in the current year.

Expenses related to governmental activities increased by $1.487 billion (7.4%) during the current year. Salaries and employee benefits were $513 million higher than the prior year. There were general salary increases of 4% during the current year, which became effective for most employees at staggered effective dates through the fiscal year. In addition, non-salary expenses were also higher by $1.091 billion than the prior year. The non-salary increases were primarily in the recreation, health and sanitation, and public assistance categories. Recreation expenses were higher by $252 million and was associated with the capital assets adjustments made in the prior year. Health and sanitation expenses were higher by $249 million as operating and healthcare costs increased from the prior year. Public assistance expenses were higher by $238 million primarily from an increase in the costs for the homeless and housing assistance programs. Depreciation expense was $422 million in the current year, a decrease of $94 million from the prior year amount of $516 million.

Business-type Activities

Revenues from business-type activities for the current year were $4.821 billion, an increase of $397 million (9.0%) from the previous year. The most significant increase was in charges for services and operating grants and contributions for the County's hospitals, where revenue grew by $187 million and $191 million, respectively. As discussed in Note 14 to the basic financial statements, County hospital revenues are derived from a wide range of federal and State funding sources. Global Payment Program (GPP) and PRIME are components of the Medi-Cal Demonstration Project 2020, which provides federal funding to the County for health-care programs that shift the focus from hospital-based and inpatient care to outpatient, primary, and preventative care. The charges for services revenue increase was primarily attributable to the increase in GPP by $128 million from the prior year. The operating grants and contributions increase was from an increase in PRIME revenues by $45 million from the prior year and $139 million in new funding from the first year implementation of the Quality Incentives Program (QIP).

Expenses related to business-type activities increased from the previous year by a net total of $393 million (7.7%), and were associated primarily with the County's hospitals. Overall, hospital costs for salaries and employee benefits, services and supplies, and other professional services were higher in the current year by $74 million, $147 million, and $84 million, respectively. As previously discussed, salaries and employee benefits expenses were higher because of the general salary increases. Non-salary expenses were higher for deferred maintenance, medical supplies, and medical equipment purchases from the prior year. Intergovernmental transfer expenses that are required in order to be eligible for various hospital revenue sources were higher by $33 million. For all hospital facilities, the average patient census during the current year was 1,115 patients per day, which was slightly lower than the 1,157 for the prior year.

Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the County's financing requirements. Types of governmental funds reported by the County include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and the Permanent Funds.

As of the end of the current fiscal year, the County's governmental funds reported combined total fund balances of $7.863 billion, an increase of $404 million in comparison with the prior year. Of the total fund balances, $153 million is nonspendable to indicate the extent that funds are not in spendable form or are required to remain intact. An additional $3.687 billion is classified as restricted, $827 million as committed, and $701 million as assigned. The remaining balance of $2.496 billion is classified as unassigned and is entirely associated with the General Fund.

Revenues from all governmental funds for the current year were $21.191 billion, an increase of $1.126 billion (5.6%) from the previous year. Expenditures for all governmental funds in the current year were $20.140 billion, an increase of $1.210 billion (6.4%) from the previous year. In addition, other financing uses were $647 million, a decrease of $94 million as compared to $741 million in the prior year.

Governmental Funds-Continued

The General Fund is the County's principal operating fund. During the current year, the fund balance in the General Fund increased by $244 million (6.7%). At the end of the current fiscal year, the General Fund's total fund balance was $3.895 billion. Of this amount, $137 million is classified as nonspendable, $77 million as restricted, $705 million as committed, $480 million as assigned and the remaining $2.496 billion is classified as unassigned.

General Fund revenues during the current year were $17.726 billion, an increase of $644 million (3.8%) from the previous year. General Fund expenditures during the current year were $17.532 billion, an increase of $959 million (5.8%) from the previous year. Other financing sources/uses-net was positive $50 million in the current year as compared to negative $242 million in the prior year.

Following are significant changes in General Fund revenues and expenditures:

- Revenues from taxes increased by $322 million and property taxes comprised $267 million of this increase which was primarily associated with growth in assessed property values. Residual property tax revenues, which are associated with redevelopment dissolution, were $202 million in the current year, or $17 million higher than the prior year. Property tax growth was also reflected in "pass through" property tax revenues, which were $29 million higher in the current year.

- Intergovernmental revenues increased by $354 million overall, and were primarily associated with State and federal revenue increases of $187 and $196 million, respectively. The State and federal revenue growth were primarily attributable to higher levels of reimbursable program and administrative costs in the children and family services programs of $165 million, mental health programs of $67 million, health services administration programs of $52 million, sheriff programs of $42 million, and public assistance programs of $22 million.

- Charges for services decreased by a total of $50 million. The Sheriff's department experienced a net decrease of $34 million of charges for services revenue resulting from the loss of a major contract with the Metropolitan Transportation Authority. The Registrar-Recorder provides election services and charges for services revenues decreased by $33 million due to a lower number of elections when compared to the prior year election cycle. The remaining variance was a net increase of $17 million from a variety of other programs.

Governmental Funds-Continued

- General fund expenditures increased by a total of $959 million, or 5.8%. Current expenditures increased by $951 million, and debt service and capital outlay expenditures increased by $8 million. The most significant increase in current expenditures was reflected in the health and sanitation programs, where expenditures grew by $536 million. This was primarily due to an increase of $262 million for mental health services and $234 million for a full year of jail medical services in the Department of Health Services. In addition, an increase of $127 million was from housing for health programs and $54 million for substance and abuse prevention and control services. Public assistance expenditures were higher by $225 million, of which $133 million was for salary and benefit increases and $105 million was for increased spending on public assistance payments, children and family assistance payments and the affordable housing program. Public protection program costs were higher by $72 million, of which $42 million and $27 million were associated with the departments of Probation and District Attorney, respectively. General government spending increased by $95 million and was associated with an increase of $86 million and $27 million for salary and benefit increases and costs associated with capital improvements, respectively, and a net decrease of $20 million associated with the Registrar-Recorder office.

The Fire Protection District reported a year-end fund balance of $176 million, which represented a decrease of $30 million from the previous year. The decrease in fund balance is due to an increase in a number of major incidents and emergencies during the fiscal year. Expenditures were higher by $100 million, which was related to an increase in salaries and employee benefit costs of $65 million and services and supplies of $11 million. This was offset by revenues that increased by $51 million, of which $40 million was related to property taxes and primarily associated with growth in assessed property values and $6 million was for charges for services.

The Flood Control District reported a year-end fund balance of $502 million, which was $33 million higher than the previous year. The increase in fund balance is primarily due to the full redemption of revenue bonds in the prior year. Current year revenues were lower by $20 million, primarily from charges for services, while expenditures were higher by $8 million, primarily related to an increase in expenditures for stormwater projects.

The County Library Fund, formerly referred to as the "Public Library," reported a year-end fund balance of $77 million, which was $3 million higher than the previous year. The increase in fund balance was primarily attributable to higher property tax revenues of $4 million from the prior year. Overall, revenue was higher by $18 million and expenditures were higher by $20 million.

The Regional Park and Open Space District reported a year-end fund balance of $320 million, which was $42 million higher than the previous year. On November 8, 2016, the voters approved the Safe, Clean Neighborhood Parks, Open Space, Beaches, Rivers Protection, and Water Conservation Measure A (Measure A) and it became effective in FY 2017-18. The increase in fund balance was primarily attributable to new revenues from Measure A. Measure A levied 1.5 cents annually per square foot of improved property and became effective in the current fiscal year. Current year revenues were higher by $97 million in charges for services from Measure A, while expenditures were higher by $21 million.

Governmental Funds-Continued

The Mental Health Services Act (MHSA) Special Revenue Fund reported a year-end fund balance of $1.051 billion, which was nearly the same as the previous year. Current year revenues were higher by $45 million, primarily from an increase in State revenues, while transfers out were higher by $185 million. Expenditures increased by $49 million primarily to fund affordable housing projects for mental health clients.

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The County's principal proprietary funds consist of four hospital enterprise funds and each one is reported as a major fund. All of the aforementioned funds incurred a net loss prior to contributions and transfers.

The County is legally required to provide local matching funds to the health care system in order to remain eligible for federal and State assistance. Such funds were provided to the hospitals as operating subsidies from the County General Fund during the year as discussed in Note 15 to the basic financial statements. The amount of subsidy, per facility, ranged from $7 million for Rancho Los Amigos National Rehabilitation Center to $218 million for the Harbor-UCLA Medical Center. The total subsidy amount was $530 million and is reflected in the Statement of Revenues, Expenses and Changes in Fund Net Position as "transfers in." By comparison, the total General Fund subsidy in the prior year was $539 million. During the current year, the County's hospital operations experienced higher levels of patient care revenues and operating expenses in comparison to the prior year as previously discussed.

An additional source of local funding for the Hospitals is the Health Services Measure B Special Revenue Fund (Measure B Fund). The Measure B Fund receives voter approved property taxes for trauma and emergency services. In the current year, the Measure B Fund provided transfers to the LAC+USC Medical Center ($124 million), Harbor-UCLA Medical Center ($55 million), and Olive-View UCLA Medical Center ($29 million). The total current year amount of $209 million in Measure B transfers was nearly the same as the prior year amount of $211 million.

Waterworks Funds reported year-end net position of $800 million, which was $1 million lower than the previous year. There were no significant operational changes during the current year. Current year operating revenues for charges for services were higher by $10 million, operating expenses were higher by $5 million, and nonoperating revenue/(expenses) were higher by $3 million.

General Fund Budgetary Highlights

The accompanying basic financial statements include a Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis for the County's General Fund. The County's budgetary basis of accounting is discussed in Notes 1 and 16 to the basic financial statements. There are approximately 100 separate budget units within the General Fund, excluding capital improvement projects, which are individually budgeted. The data presented below represents the net budgetary changes for the General Fund in a highly summarized format. Accordingly, in certain instances, budgets have been increased for programs within a category even though actual amounts have not been realized for the category in its entirety. Under the budgetary basis, there was a net decrease of $53 million in the General Fund's available (unassigned) fund balance from the previous year.

Budgetary Summary - Revenues/Financing Sources

Following is a summary of current year budgetary changes and actual results (on the County's budgetary basis) for General Fund revenues and other financing sources (in thousands):

Category	Increase (Decrease) From Original Budget	Final Budget Amount	Actual Amount	Variance- Positive (Negative)
Taxes	$ 28,238	$ 5,588,267	$ 5,666,093	$ 77,826
Intergovernmental revenues	(126,390)	10,661,050	9,662,782	(998,268)
Charges for services	(925)	1,796,571	1,873,464	76,893
All other revenues	28,949	589,848	639,324	49,476
Other sources and transfers in	55,305	943,620	723,655	(219,965)
Total	$ (14,823)	$ 19,579,356	$ 18,565,318	$ (1,014,038)

Changes from Amounts Originally Budgeted

During the year, net decreases in budgeted revenues and other financing sources were approximately $15 million. The most significant changes occurred in the following areas:

- Estimated intergovernmental revenues decreased by $126 million. The decrease is primarily attributable to the reduction of State Health Realignment estimated revenues of $224 million. Net additions of $60 million were made to augment federal funds budgeted for the PRIME program pursuant to the Medi-Cal 2020 Federal Waiver program in the health department. Also, an increase of $15 million was made to budgeted intergovernmental revenues associated with redevelopment dissolution successor agencies. There was also an increase of $11 million from State funds for the energy grant programs. Budgeted intergovernmental revenues for capital projects were increased by $7 million to reflect additional grant funding. There were other net increases to budgeted intergovernmental revenues of $5 million.

- The budget for "other sources and transfers in" increased by $55 million. Mental Health programs funded by the Mental Health Services Act Special Revenue Fund were increased by $31 million. Budgeted transfers in for capital projects were increased by $17 million from the nonmajor special revenue funds. There were net increases to budgeted "other sources and transfers in" of $7 million.

- The budgeted "all other revenues" increased by $29 million. Budgeted revenues were increased by $17 million for tobacco settlement revenues. The remaining increases of $12 million were associated with a wide variety of revenues.

Changes from Amounts Originally Budgeted-Continued

- The budget for tax revenues increased by $28 million. Of this increase, $24 million was associated with year-end budgetary changes that are designed to demonstrate compliance with legal provisions related to the appropriation of revenues from property taxes and certain other tax related revenues.

Actual Revenues/Financing Sources Compared with Final Budget Amounts

Actual revenues and other financing sources recognized by the General Fund were approximately $18.565 billion. This amount was $1.014 billion, or 5.2%, lower than budget. As discussed below, most of this variance was concentrated in the areas of intergovernmental revenues, "other sources and transfers in", taxes, and charges for services.

- Actual intergovernmental revenues were $998 million lower than the amount budgeted. Approximately $391 million was associated with social services and child and family programs, where reimbursable costs were lower than anticipated due to delays in hiring and promoting staff, reduced contractual spending for services and child care provider payments, and delays in implementing new systems. Health services and mental health programs accounted for approximately $193 million of this variance, which experienced lower than anticipated reimbursable costs and correspondingly lower than expected revenues. Budgeted intergovernmental revenues of $178 million were not realized for various capital improvements, disaster recovery programs and emergency preparedness projects, as these initiatives were not completed prior to year-end. Substance abuse and prevention control related programs experienced budgeted revenue shortfalls of $105 million, most of which was associated with federal and State grants and offset by a comparable amount of cost savings. The Office of Diversion and Re-entry budget under-realized $33 million related to reimbursable expenditures for housing subsidies. The Sheriff's and Probation Departments under-realized revenues of $32 million due to lower than expected reimbursement of salaries and services and supplies associated with federal and State programs. The remaining difference of $66 million was related to a variety of other programs.

- The actual amount of "other sources and transfers in" was $220 million lower than the amount budgeted. Of this amount, mental health programs funded by the Mental Health Services Act Special Revenue Fund did not fully materialize at the budgeted level and "transfers in" were $114 million lower than budgeted. In addition, "transfers in" totaling $38 million were assumed in the budget for capital improvements and extraordinary building maintenance projects, which did not incur expected costs. The "transfers in" for the housing for health program, funded by the nonmajor special revenue funds, was $22 million less than budgeted. Costs associated with Probation Department programs funded by the Other Public Protection Special Revenue Funds were $21 million less than budgeted. There were various other sources and transfers that comprised the remaining variance of $25 million.

- Actual taxes were $78 million higher than the amount budgeted. Property tax and documentary tax revenues were higher than budgeted by $58 million and $13 million, respectively. There were net increases of $7 million related to a variety of other taxes.

Actual Revenues/Financing Sources Compared with Final Budget Amounts-Continued

- Actual charges for services were $77 million higher than the amount budgeted. The increase was primarily attributable to revenues associated with the State Medi-Cal Demonstration Project Global Payment Program and services rendered to the County hospitals of $93 million. Net reductions include costs associated with public health programs related to substance abuse prevention control and children's medical services, which experienced lower than anticipated reimbursable costs and correspondingly lower than expected revenues of $10 million. There were net decreases of $6 million related to a variety of other programs.

Budgetary Summary - Expenditures/Other Financing Uses

Following is a summary of current year budgetary changes and actual results (on the County's budgetary basis) for General Fund expenditures, transfers out, and changes in fund balance components (in thousands):

Category	Increase (Decrease) From Original Budget	Final Budget Amount	Actual Amount	Variance-Positive
General government	$ (99,266)	$ 1,960,758	$ 1,229,282	$ 731,476
Public protection	60,912	5,805,187	5,641,810	163,377
Health and sanitation	(135,294)	4,673,696	4,293,726	379,970
Public assistance	218	7,043,766	6,315,574	728,192
All other expenditures	64,596	1,273,255	495,329	777,926
Transfers out	5,619	495,975	487,236	8,739
Contingencies	(15,431)	14,323		14,323
Fund balance changes-net	103,823	295,022	155,655	139,367
Total	$ (14,823)	$ 21,561,982	$ 18,618,612	$ 2,943,370

Changes from Amounts Originally Budgeted

During the year, net decreases in General Fund appropriations and fund balance component changes were approximately $15 million. The most significant changes occurred in the following areas:

- General government appropriations decreased by $99 million. Provisional appropriations decreased by $75 million and were transferred to other functional categories to fund capital projects, jail facilities and libraries of $8 million; public protection programs of $40 million; and to transfer $27 million of unspent User Utility Tax funds to obligated fund balance. In addition, $38 million shifted funds for extraordinary maintenance to capital projects. There were net increases of $14 million for other general governmental programs.

- Net fund balance budgetary changes of $104 million had the effect of reducing the available (unassigned) fund balance component. At the end of the year, the restricted fund balance increased by $56 million for utility users' taxes that were not expended and remained obligated for programs in unincorporated areas. Committed fund balance was increased by $30 million for reserve for rainy day funds and $12 million for Board Budget Policies and Priorities. The remaining variance of $6 million was attributable to various other fund balance accounts.

Changes from Amounts Originally Budgeted-Continued

- Health and sanitation appropriations decreased by $135 million. The health services administration budget provides central support to the County's hospitals. A decrease of $187 million appropriation was transferred from the health services administration budget to the County hospitals to fund operational expenditures for deferred maintenance, medical supplies, equipment, and other expenditures. This was offset by a $29 million increase in appropriation in intergovernmental transfers expenditures for the Medicaid Expansion programs and a $31 million increase for mental health programs. The remaining variance of $8 million was related to other health and sanitation programs.

- The category referred to as "all other expenditures" appropriations was increased by $65 million. An increase of $48 million was related to the capital outlay category for a variety of new capital improvement projects during the fiscal year. In addition, $17 million increase in appropriation was related to the recreation and cultural services programs.

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount

Actual expenditures/other financing uses for the current year were $2.943 billion lower (13.7%) than the final total budget of $21.562 billion. There were budgetary savings in all functional expenditure categories. Following are the functional areas that recognized the largest variations from the final budget:

- The category referred to as "all other expenditures" reflected actual spending of $778 million less than the budgeted amount. Of this variance, $759 million was in the capital outlay category and related to numerous capital improvements anticipated in the budget that remained in the planning and development stages and did not incur expenditures during the year. Most of the unused balance has been reestablished in the following year's budget to ensure the continuity of the projects, many of which are multi-year in nature.

- The general government function reported actual expenditures that were $731 million less than the amount budgeted. Of this amount, $539 million represented budgetary savings for items that are not associated with specific County departments, such as provisional appropriations and central non-departmental appropriations. Salaries and employee benefits savings of $63 million were due to hiring delays and vacancies. The County's real estate budget had budgetary savings of $19 million due to lower than anticipated costs associated with various properties. The remaining $110 million was spread across County departments comprising general government and was mostly related to savings in the areas of services and supplies.

- Actual public assistance expenditures were $728 million lower than the final budget. Salaries and employee benefits savings of $143 million were due to hiring delays and vacancies. Vendor and assistance payments for social services and children and family programs were lower than budgeted by $519 million. Administrative cost savings in these areas were due to lower than anticipated costs for professional, contracted, and information technology services and delays in hiring. There were also direct program savings associated with lower than anticipated caseloads. There were $49 million of savings related to homeless and housing programs due to delays in carrying out multi-year projects. The remaining variance of $17 million was related to other public assistance programs.

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount-Continued

- Overall expenditures for the health and sanitation category were $380 million less than the budgeted amount. Of this amount, $342 million primarily related to salaries and employee benefits savings and lower than anticipated costs for contracted services. Specifically, the budgetary savings of $173 million was from mental health programs, $106 million from substance abuse programs, $40 million from public health programs, and $23 million from health correctional facilities. The remaining variance of $38 million was due to lower than expected services and supplies and contracted costs related to other health and sanitation programs.

Capital Assets

The County's capital assets for its governmental and business-type activities as of June 30, 2018 were $19.519 billion (net of depreciation). Capital assets include land, easements, buildings and improvements, equipment, software, and infrastructure. The major infrastructure network elements are roads, sewers, water, flood control, and aviation. Specific capital asset changes during the current year are presented in Note 6 to the basic financial statements.

The total decrease in the County's capital assets (net of depreciation) for the current fiscal year was $67 million as shown in the following table.

Changes in Capital Assets, Net of Depreciation
Primary Government - All Activities
(in thousands)

	Current Year	Prior Year	Increase (Decrease)
Land and easements	$ 7,595,597	$ 7,547,098	$ 48,499
Buildings and improvements	5,531,749	5,544,109	(12,360)
Infrastructure	4,421,159	4,536,386	(115,227)
Equipment	645,853	559,203	86,650
Software	275,010	431,623	(156,613)
Capital assets, in progress	1,049,509	967,136	82,373
Total	$ 19,518,877	$ 19,585,555	$ (66,678)

The most significant decrease in capital assets was in software, which decreased by $157 million. On August 8, 2017, the County became a member of the California Consortium Eligibility System (CalACES) Joint Powers Authority to govern and administer technology projects and operations for automating public assistance programs. When the County joined CalACES, the Los Angeles Eligibility, Automated Determination, Evaluation and Reporting (LEADER) Replacement System (LRS), with a net book value of $153 million, was also transferred.

Capital assets, in progress increased by $82 million. The County's major capital asset initiatives during the current year continued to focus on new facilities and major improvements. For governmental activities, the major capital asset projects were for public protection of $37 million, health and sanitation of $41 million, and recreation and cultural services of $46 million. The governmental activities major projects included the Sheriff Men's Central Jail replacement facility, the Vermont Corridor project, the Music Center Plaza renovation, and various mental and health facilities. For business-type activities, major construction-in-progress was $84 million at the Rancho Los Amigos National Rehabilitation Center for various projects, including seismic retrofit and new outpatient facilities projects. There were also $25 million of capitalized construction-in-progress costs for the Martin Luther King, Jr. New Parking Structure Project. In addition, there was also a decrease in buildings and improvements primarily due to the disposition of the Edelman Children's Court, with a net book value of $23 million, to the State of California. Furthermore, land and easements increased by $49 primarily from a $24 million acquisition of a parking lot to meet the Sheriff's Department and Department of Health Services parking needs at the Men's Central Jail, Twin Towers Correctional Facility, and Inmate Reception Center and a $13 million acquisition of two helipads to support the Fire Department. As of June 30, 2018, there were $43 million of capital asset commitments outstanding.

Debt Administration

During the current year, the County's liabilities for long-term debt, including accreted interest, increased by $54 million, as newly issued debt and accretions of $348 million were more than the debt maturities of $294 million. Specific changes related to governmental and business-type activities are presented in Note 11 to the basic financial statements.

During the current year, significant long-term debt transactions were as follows:

- Lease Revenue Obligation Notes (LRON) of $325 million were issued for governmental and business-type activities in the amounts of $75 million and $249 million, respectively. For governmental activities, debt was issued to finance a new animal care facility, fire station, museum of art building and to renovate the Music Center Plaza. For business-type activities, debt was issued to finance hospital improvements.

- New debt of $20 million was issued to finance the acquisition of equipment for governmental activities. Equipment debt totaling $21 million was redeemed during the year in accordance with maturity schedules.

In addition to the above borrowing, the County continued to finance General Fund cash flow shortages occurring periodically during the fiscal year by selling $800 million in tax and revenue anticipation notes. The notes matured and were redeemed on June 29, 2018. The General Fund also relied upon periodic borrowing from available agency funds.

Bond Ratings

The County's debt is rated by Moody's, Standard & Poor's, and Fitch. The following is a schedule of ratings assigned by the respective rating agencies:

	Moody's	Standard & Poor's	Fitch
General Obligation Bonds	Aa1	AA+	AA
Facilities	Aa3	AA	AA-
Equipment/Non-Essential Leases	Aa2	AA	AA-
Operating/Non-Essential Leases	Aa2	AA	AA-
Short-Term	MIG1	SP-1+	F1+
Regional Park and Open Space District Bonds	Aa1	AA	AAA

The County's bond ratings assigned by Fitch for General Obligation Bonds were upgraded from the previous year.

Economic Conditions and Outlook

The Board of Supervisors adopted the County's 2018-2019 Budget on June 25, 2018. The Budget was adopted based on estimated fund balances that would be available at the end of 2017-2018. The Board updated the Budget on October 2, 2018 to reflect final 2017-2018 fund balances and other pertinent financial information. For the County's General Fund, the 2018-2019 Budget utilized $1.929 billion of fund balance, which exceeded the previously estimated fund balance of $1.728 billion. Of the additional fund balance of $201 million, $160 million was used to carryover lapsed appropriations and ensure the continuity of funded program initiatives. The remaining $41 million was primarily used to fund $26 million for capital improvement projects, $8 million for library services, and $7 million to augment the County's "Rainy Day Reserve," and various other program initiatives.

The County's 2018-2019 Budget reflects the County's ongoing determination to confront our region's most difficult social challenges while building a foundation for future progress through a wide array of proven programs and services. The County's budget continues to champion the County's long history of responsible, sustainable fiscal practices. The budget addresses the key priorities of the Board of Supervisors, providing funding to fight homelessness, to enrich the lives of children, to expand health services, to create jobs and to invest in criminal justice reforms that prioritize individual potential and maintain the safety of our neighborhoods. The County's budget also anticipates uncertainty with budget proposals from both the federal and State governments that could create significant short and long-term budget challenges for the County.

The County's budget outlook, while favorable, continues to be influenced by the fiscal condition and outlook of the State of California. In this regard, the State Legislative Analyst's Office (LAO) reports a positive short-term outlook with a healthy surplus through the end of FY 2019-2020. The State budget's condition is in good shape. The State can use the surplus to increase their reserves or make new one-time and /or ongoing budget commitments. For the longer term, the State's outlook is subject to either continuing economic growth or a recession beginning in FY 2020-21. With a continuing growing economy, the operating surplus will increase, but will decline over time. In the recession scenario, the State has enough reserve to cover its deficit for the outlook period. Health and human services programs are subject to considerable challenges and uncertainty as the State depends on information from the federal government or State executive branch.

The County receives substantial federal revenues and operates many programs which are subject to federal rules and regulations. Federal assistance is especially critical to the County's ability to operate its four County hospitals and health care network. The County is carefully monitoring State and federal policy developments to determine the future impacts, if any, on its ability to administer federal programs and deliver County services that rely upon federal funding.

On November 6, 2018, the voters of Los Angeles County successfully passed a ballot measure (Measure W) to establish the region's public health and safe, clean water program and establish a parcel tax of 2.5 cents per square foot of impermeable area. Measure W is estimated to generate $300 million in annual revenue effective in FY 2019-20.

Obtaining Additional Information

This financial report is designed to provide a general overview of the County's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Los Angeles County Auditor-Controller, 500 West Temple Street, Room 525, Los Angeles, CA 90012-3873.

BASIC FINANCIAL STATEMENTS

COUNTY OF LOS ANGELES
STATEMENT OF NET POSITION
JUNE 30, 2018 (in thousands)

	PRIMARY GOVERNMENT			DISCRETELY PRESENTED COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS				
Pooled cash and investments: (Notes 1 and 5)				
Operating	$ 6,416,533	179,546	$ 6,596,079	$ 460,755
Other	2,222,962	27,867	2,250,829	
Total pooled cash and investments	8,639,495	207,413	8,846,908	460,755
Other investments (Note 5)	53,083		53,083	353,973
Taxes receivable	243,893	717	244,610	
Accounts receivable - net (Note 14)		2,241,400	2,241,400	24,088
Interest receivable	32,322	470	32,792	767
Other receivables	2,267,215	208,362	2,475,577	30,266
Internal balances (Note 15)	155,730	(155,730)		
Inventories	75,406	27,526	102,932	9,731
Restricted assets (Note 5)	5,674	99,160	104,834	
Capital assets: (Notes 6 and 10)				
Capital assets, not being depreciated	8,069,249	575,857	8,645,106	99,367
Capital assets, net of accumulated depreciation	8,202,374	2,671,397	10,873,771	84,037
Total capital assets	16,271,623	3,247,254	19,518,877	183,404
TOTAL ASSETS	27,744,441	5,876,572	33,621,013	1,062,984
DEFERRED OUTFLOWS OF RESOURCES (Note 20)	4,387,213	793,005	5,180,218	27,652
LIABILITIES				
Accounts payable	659,520	408,280	1,067,800	43,464
Accrued payroll	490,083	104,344	594,427	
Other payables	117,770	12,841	130,611	7,279
Accrued interest payable	18,475	18,879	37,354	
Advances payable	1,853,823	9,406	1,863,229	10,482
Long-term liabilities: (Note 11)				
Due within one year	834,734	621,147	1,455,881	5,526
Due in more than one year	36,359,538	7,928,571	44,288,109	95,926
TOTAL LIABILITIES	40,333,943	9,103,468	49,437,411	162,677
DEFERRED INFLOWS OF RESOURCES (Note 20)	2,447,435	434,369	2,881,804	10,801
NET POSITION				
Net investment in capital assets	14,984,847	2,320,256	17,305,103	140,305
Restricted for:				
Capital projects	44,899		44,899	
Debt service	288,344	22,910	311,254	332
Permanent funds - nonspendable	2,155		2,155	
Permanent funds - spendable	113		113	
General government	136,890		136,890	
Public protection	1,011,275		1,011,275	
Public ways and facilities	343,552	111,737	455,289	
Health and sanitation	1,273,882		1,273,882	
Recreation	323,530		323,530	
Community development				351,671
First 5 LA				379,019
Other	99,575		99,575	
Unrestricted (deficit)	(29,158,786)	(5,323,163)	(34,481,949)	45,831
TOTAL NET POSITION (DEFICIT) (Note 3)	$ (10,649,724)	(2,868,260)	$ (13,517,984)	$ 917,158

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018 (in thousands)

FUNCTIONS		PROGRAM REVENUES		
PRIMARY GOVERNMENT:	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental activities:				
General government	$ 1,579,367	530,893	38,957	4,456
Public protection	7,841,468	1,263,462	1,646,681	6,099
Public ways and facilities	415,805	27,837	213,749	9,188
Health and sanitation	4,307,099	762,326	2,868,011	782
Public assistance	6,693,008	11,131	5,492,766	
Education	160,097	14,481	79	
Recreation and cultural services	487,173	251,160	3,072	5,785
Interest on long-term debt	106,425			
Total governmental activities	21,590,442	2,861,290	10,263,315	26,310
Business-type activities:				
Hospitals	5,370,965	4,064,523	648,602	
Waterworks	95,301	85,664	2,675	
Aviation	11,148	4,862	26	8,291
Total business-type activities	5,477,414	4,155,049	651,303	8,291
Total primary government	$ 27,067,856	7,016,339	10,914,618	34,601
DISCRETELY PRESENTED COMPONENT UNITS	$ 575,724	26,770	562,340	3,161

GENERAL REVENUES:
Taxes:
Property taxes
Utility users taxes
Voter approved taxes
Documentary transfer taxes
Other taxes
Sales and use taxes, levied by the State
Grants and contributions not restricted to special programs
Investment income
Miscellaneous
TRANSFERS - NET
Total general revenues and transfers
CHANGE IN NET POSITION
NET POSITION (DEFICIT), JULY 1, 2017, AS RESTATED (Note 2)
NET POSITION (DEFICIT), JUNE 30, 2018

The notes to the basic financial statements are an integral part of this statement.

NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION				
PRIMARY GOVERNMENT			DISCRETELY PRESENTED COMPONENT UNITS	
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL		<u>FUNCTIONS</u>
				PRIMARY GOVERNMENT:
				Governmental activities:
$ (1,005,061)		$ (1,005,061)		General government
(4,925,226)		(4,925,226)		Public protection
(165,031)		(165,031)		Public ways and facilities
(675,980)		(675,980)		Health and sanitation
(1,189,111)		(1,189,111)		Public assistance
(145,537)		(145,537)		Education
(227,156)		(227,156)		Recreation and cultural services
(106,425)		(106,425)		Interest on long-term debt
(8,439,527)		(8,439,527)		Total governmental activities
				Business-type activities:
	(657,840)	(657,840)		Hospitals
	(6,962)	(6,962)		Waterworks
	2,031	2,031		Aviation
	(662,771)	(662,771)		Total business-type activities
(8,439,527)	(662,771)	(9,102,298)		Total primary government
			$ 16,547	DISCRETELY PRESENTED COMPONENT UNITS
				GENERAL REVENUES:
				Taxes:
6,527,329	6,013	6,533,342		Property taxes
46,132		46,132		Utility users taxes
368,979		368,979		Voter approved taxes
104,872		104,872		Documentary transfer taxes
38,607		38,607		Other taxes
389,894		389,894		Sales and use taxes, levied by the State
433,799		433,799		Grants and contributions not restricted to special programs
101,730	675	102,405	4,634	Investment income
149,384	110	149,494	2,319	Miscellaneous
(747,863)	747,863			TRANSFERS - NET
7,412,863	754,661	8,167,524	6,953	Total general revenues and transfers
(1,026,664)	91,890	(934,774)	23,500	CHANGE IN NET POSITION
(9,623,060)	(2,960,150)	(12,583,210)	893,658	NET POSITION (DEFICIT), JULY 1, 2017, AS RESTATED (Note 2)
$ (10,649,724)	(2,868,260)	$ (13,517,984)	$ 917,158	NET POSITION (DEFICIT), JUNE 30, 2018

COUNTY OF LOS ANGELES
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	COUNTY LIBRARY	REGIONAL PARK AND OPEN SPACE DISTRICT
ASSETS					
Pooled cash and investments: (Notes 1 and 5)					
Operating	$ 2,283,053	135,004	570,526	66,971	321,125
Other	2,103,333	35,166	6,315	2,874	3,806
Total pooled cash and investments	4,386,386	170,170	576,841	69,845	324,931
Other investments (Notes 4 and 5)	4,241			117	
Taxes receivable	173,423	39,390	11,813	6,078	2,225
Interest receivable	21,981	365	1,423	219	844
Other receivables	1,947,886	50,181	2,941	1,993	3,697
Due from other funds (Note 15)	665,194	2,339	15,119	15,195	
Advances to other funds (Note 15)	124,840		6,466		
Inventories	52,964	13,382	1	440	
TOTAL ASSETS	7,376,915	275,827	614,604	93,887	331,697
DEFERRED OUTFLOWS OF RESOURCES (Note 20)					
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 7,376,915	275,827	614,604	93,887	331,697
LIABILITIES					
Accounts payable	$ 540,193	6,189	6,643	2,730	1,515
Accrued payroll	422,519	42,777		4,439	
Other payables	111,361	2,916	3	597	
Due to other funds (Note 15)	208,100	16,822	31,347	4,304	6,652
Advances payable	1,732,965		66,042		
Third party payor (Notes 11 and 14)	39,690				
TOTAL LIABILITIES	3,054,828	68,704	104,035	12,070	8,167
DEFERRED INFLOWS OF RESOURCES (Note 20)	426,896	31,468	8,177	4,404	3,504
FUND BALANCES (Note 21)					
Nonspendable	136,890	13,382	1	440	
Restricted	77,406	162,273	502,292	17,614	320,026
Committed	704,954				
Assigned	480,065		99	59,359	
Unassigned	2,495,876				
TOTAL FUND BALANCES	3,895,191	175,655	502,392	77,413	320,026
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 7,376,915	275,827	614,604	93,887	331,697

The notes to the basic financial statements are an integral part of this statement.

	MENTAL HEALTH SERVICES ACT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 4)	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Pooled cash and investments: (Notes 1 and 5)				
Operating	$ 1,274,517	1,723,084		$ 6,374,280
Other	2,459	61,785		2,215,738
Total pooled cash and investments	1,276,976	1,784,869		8,590,018
Other investments (Notes 4 and 5)		75,300	(26,575)	53,083
Taxes receivable		10,964		243,893
Interest receivable	3,223	4,002		32,057
Other receivables		149,052		2,155,750
Due from other funds (Note 15)	1,623	45,075		744,545
Advances to other funds (Note 15)		11,323		142,629
Inventories		1		66,788
TOTAL ASSETS	1,281,822	2,080,586	(26,575)	12,028,763
DEFERRED OUTFLOWS OF RESOURCES (Note 20)		222,747		222,747
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 1,281,822	2,303,333	(26,575)	$ 12,251,510
LIABILITIES				
Accounts payable	$	93,322		$ 650,592
Accrued payroll		90		469,825
Other payables		1		114,878
Due to other funds (Note 15)	230,933	271,318		769,476
Advances payable		53,128		1,852,135
Third party payor (Notes 11 and 14)		246		39,936
TOTAL LIABILITIES	230,933	418,105		3,896,842
DEFERRED INFLOWS OF RESOURCES (Note 20)		16,914		491,363
FUND BALANCES (Note 21)				
Nonspendable		2,156		152,869
Restricted	1,050,889	1,582,651	(26,575)	3,686,576
Committed		122,379		827,333
Assigned		161,128		700,651
Unassigned				2,495,876
TOTAL FUND BALANCES	1,050,889	1,868,314	(26,575)	7,863,305
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 1,281,822	2,303,333	(26,575)	$ 12,251,510

COUNTY OF LOS ANGELES
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018 (in thousands)

Fund balances - total governmental funds (page 29)		$ 7,863,305
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not reported in governmental funds:		
Land and easements	$ 7,410,961	
Construction-in-progress	658,288	
Buildings and improvements - net	3,671,174	
Equipment - net	371,377	
Intangible software - net	255,068	
Infrastructure - net	3,777,352	16,144,220
Deferred outflows and inflows of resources reported in the statement of net position, but not recognized in the governmental funds:		
Deferred outflows from losses on refunding of debt	$ 15,928	
Deferred outflows from OPEB	680,394	
Deferred outflows from pension	3,530,358	
Deferred inflows from service concession arrangements	(86,627)	
Deferred inflows from OPEB	(1,436,621)	
Deferred inflows from pension	(821,969)	1,881,463
Unavailable revenues are reported as deferred inflows of resources in the governmental funds, but are recognized as revenues when earned in governmental activities:		
Deferred inflows from property taxes	$ 170,034	
Deferred inflows from long-term receivables	98,582	268,616
Other long-term asset transactions are not available for the current period and are not recognized in governmental funds:		
Payables and receivables related to capital assets	$ 14,748	
Accrued interest on long-term receivables	143	14,891
Installment receivables from service concession arrangements.		86,627
Accrued interest payable is not recognized in governmental funds.		(18,229)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds and notes	$ (1,346,275)	
Unamortized premiums on bonds and notes	(82,158)	
Accreted interest on bonds and notes	(152,040)	
Capital lease obligations	(162,606)	
Accrued compensated absences	(1,498,146)	
Workers' compensation	(2,453,332)	
Litigation and self-insurance	(207,723)	
Pollution remediation obligations	(46,022)	
Net pension liability	(8,879,131)	
Net OPEB liability	(20,880,890)	
Third party payor liability	(14,370)	(35,722,693)
Assets and liabilities of certain internal service funds are included in governmental activities in the accompanying statement of net position.		(1,167,924)
Net position of governmental activities (page 25)		$(10,649,724)

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	COUNTY LIBRARY	REGIONAL PARK AND OPEN SPACE DISTRICT
REVENUES					
Taxes	$ 5,655,160	852,602	144,822	91,650	
Licenses, permits and franchises	61,198	16,371	1,042		
Fines, forfeitures and penalties	175,827	2,347	850	330	422
Revenue from use of money and property:					
Investment income (Note 5)	74,490	619	3,679	765	1,957
Rents and concessions (Note 10)	114,825	100	5,439	15	
Royalties	84		716		
Intergovernmental revenues:					
Federal	3,870,108	14,651	6,987		
State	5,825,509	14,742	5,812	490	
Other	35,314	1,178	622	525	
Charges for services	1,751,140	219,219	104,036	13,862	111,487
Miscellaneous	162,610	3,406	1,806	2,385	
TOTAL REVENUES	17,726,265	1,125,235	275,811	110,022	113,866
EXPENDITURES					
Current:					
General government	1,253,758				
Public protection	5,618,266	1,173,214	240,968		
Public ways and facilities					
Health and sanitation	3,996,450				
Public assistance	6,260,375				
Education				149,950	
Recreation and cultural services	364,316				72,232
Debt service:					
Principal	7,347	533		27	
Interest and other charges	26,212	8		29	
Capital outlay	5,161	12,500			
TOTAL EXPENDITURES	17,531,885	1,186,255	240,968	150,006	72,232
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	194,380	(61,020)	34,843	(39,984)	41,634
OTHER FINANCING SOURCES (USES)					
Transfers in (Note 15)	727,568	23,532		46,294	
Transfers out (Note 15)	(684,390)	(5,560)	(2,807)	(3,133)	
Issuance of debt (Note 11)					
Capital leases (Note 10)	5,161	12,500			
Sales of capital assets	1,499	265	1,157	12	
TOTAL OTHER FINANCING SOURCES (USES)	49,838	30,737	(1,650)	43,173	
NET CHANGE IN FUND BALANCES	244,218	(30,283)	33,193	3,189	41,634
FUND BALANCES, JULY 1, 2017	3,650,973	205,938	469,199	74,224	278,392
FUND BALANCES, JUNE 30, 2018	$ 3,895,191	175,655	502,392	77,413	320,026

The notes to the basic financial statements are an integral part of this statement.

MENTAL HEALTH SERVICES ACT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 4)	TOTAL GOVERNMENTAL FUNDS	
				REVENUES
$	636,216		$ 7,380,450	Taxes
	20,189		98,800	Licenses, permits and franchises
	42,296		222,072	Fines, forfeitures and penalties
				Revenue from use of money and property:
8,960	13,352	(1,692)	102,130	Investment income (Note 5)
	29,044		149,423	Rents and concessions (Note 10)
	4		804	Royalties
				Intergovernmental revenues:
	35,007		3,926,753	Federal
561,599	242,883		6,651,035	State
	16,319		53,958	Other
	175,716		2,375,460	Charges for services
	60,139		230,346	Miscellaneous
570,559	1,271,165	(1,692)	21,191,231	TOTAL REVENUES
				EXPENDITURES
				Current:
	20,473		1,274,231	General government
	70,564		7,103,012	Public protection
	347,713		347,713	Public ways and facilities
52,010	127,820		4,176,280	Health and sanitation
	109,093		6,369,468	Public assistance
	82		150,032	Education
	11,298		447,846	Recreation and cultural services
				Debt service:
	95,496	(12,320)	91,083	Principal
	86,622	(1,692)	111,179	Interest and other charges
	51,985		69,646	Capital outlay
52,010	921,146	(14,012)	20,140,490	TOTAL EXPENDITURES
518,549	350,019	12,320	1,050,741	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES
				OTHER FINANCING SOURCES (USES)
	129,816		927,210	Transfers in (Note 15)
(518,652)	(456,277)		(1,670,819)	Transfers out (Note 15)
	75,489		75,489	Issuance of debt (Note 11)
			17,661	Capital leases (Note 10)
	328		3,261	Sales of capital assets
(518,652)	(250,644)		(647,198)	TOTAL OTHER FINANCING SOURCES (USES)
(103)	99,375	12,320	403,543	NET CHANGE IN FUND BALANCES
1,050,992	1,768,939	(38,895)	7,459,762	FUND BALANCES, JULY 1, 2017
$ 1,050,889	1,868,314	(26,575)	$ 7,863,305	FUND BALANCES, JUNE 30, 2018

COUNTY OF LOS ANGELES
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018 (in thousands)

Net change in fund balances - total governmental funds (page 33)		$ 403,543
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Expenditures for general capital assets, infrastructure and other related capital asset adjustments	$ 233,447	
Less - current year depreciation expense	(388,386)	(154,939)
In the statement of activities, only the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale are reported as an increase in financial resources. Thus, the change in net position differs from the change in fund balance.		(2,619)
Contribution of capital assets is not recognized in the governmental funds.		21,854
Amortization of losses on refunding of debt are reported as changes to deferred outflows of resources in governmental activities, but not reported for governmental funds.		(1,432)
Changes in unavailable revenues are reported as changes in deferred inflows of resources for governmental funds, but were recognized when earned for governmental activities.		24,467
Timing differences result in more or less revenues and expenses in the statement of activities.		
Change in accrued interest on long-term receivables	$ 40	
Change in unamortized premiums	1,688	1,728
Issuance of long-term debt provides resources in the governmental funds, but increases long-term liabilities in the statement of net position.		(93,150)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:		
Certificates of participation and bonds	$ 36,214	
Notes, loans, and lease revenue obligation notes	34,642	
Assessment bonds	12,320	
Other long-term notes, loans and capital leases	7,907	91,083
Some expenses reported in the accompanying statement of activities do not require (or provide) the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Change in workers' compensation	$ (196,983)	
Change in litigation and self-insurance	4,817	
Change in pollution remediation obligations	(23,941)	
Change in accrued compensated absences	(91,476)	
Change in net pension liability, net of related deferred outflows of resources and deferred inflows of resources	85,283	
Change in net OPEB liability, net of related deferred outflows of resources and deferred inflows of resources	(1,050,819)	
Change in third party payor liability	4,837	
Change in accrued interest payable	108	
Change in accretion of bonds and notes	10,103	
Change in accretion of tobacco settlement bonds	(3,384)	
Transfer of capital assets from governmental fund to enterprise fund	(76)	(1,261,531)
The portion of internal service funds that is reported with governmental activities.		(55,668)
Change in net position of governmental activities (page 27)		$ (1,026,664)

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018 (in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	$ 5,560,029	5,588,267	5,666,093	77,826
Licenses, permits and franchises	57,678	57,678	61,198	3,520
Fines, forfeitures and penalties	186,601	186,601	175,827	(10,774)
Revenue from use of money and property:				
Investment income	59,051	59,982	124,560	64,578
Rents and concessions	125,579	129,045	114,825	(14,220)
Royalties	70	70	84	14
Intergovernmental revenues:				
Federal	4,516,385	4,571,335	3,809,229	(762,106)
State	6,242,716	6,032,459	5,819,171	(213,288)
Other	28,339	57,256	34,382	(22,874)
Charges for services	1,797,496	1,796,571	1,873,464	76,893
Miscellaneous	131,920	156,472	162,830	6,358
TOTAL REVENUES	18,705,864	18,635,736	17,841,663	(794,073)
EXPENDITURES				
Current:				
General government	2,060,024	1,960,758	1,229,282	731,476
Public protection	5,744,275	5,805,187	5,641,810	163,377
Health and sanitation	4,808,990	4,673,696	4,293,726	379,970
Public assistance	7,043,548	7,043,766	6,315,574	728,192
Recreation and cultural services	371,538	388,327	368,999	19,328
Debt service-				
Interest	8,457	8,457	8,457	
Capital outlay	828,664	876,471	117,873	758,598
TOTAL EXPENDITURES	20,865,496	20,756,662	17,975,721	2,780,941
DEFICIENCY OF REVENUES OVER EXPENDITURES	(2,159,632)	(2,120,926)	(134,058)	1,986,868
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	388	388	1,499	1,111
Transfers in	887,927	943,232	722,156	(221,076)
Transfers out	(490,356)	(495,975)	(487,236)	8,739
Appropriations for contingencies	(29,754)	(14,323)		14,323
Changes in fund balance	(191,199)	(295,022)	(155,655)	139,367
TOTAL OTHER FINANCING SOURCES (USES)	177,006	138,300	80,764	(57,536)
NET CHANGE IN FUND BALANCE	(1,982,626)	(1,982,626)	(53,294)	1,929,332
FUND BALANCE, JULY 1, 2017 (Note 16)	1,982,626	1,982,626	1,982,626	
FUND BALANCE, JUNE 30, 2018 (Note 16)	$		1,929,332	1,929,332

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
FIRE PROTECTION DISTRICT
FOR THE YEAR ENDED JUNE 30, 2018 (in thousands)

	FIRE PROTECTION DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	$ 851,931	861,704	854,886	(6,818)
Licenses, permits and franchises	15,018	16,487	16,371	(116)
Fines, forfeitures and penalties	2,209	2,209	2,347	138
Revenue from use of money and property:				
Investment income	938	938	1,302	364
Rents and concessions	81	81	100	19
Intergovernmental revenues:				
Federal	19,357	19,913	14,651	(5,262)
State	19,497	19,497	14,742	(4,755)
Other		482	1,178	696
Charges for services	216,427	243,074	244,264	1,190
Miscellaneous	2,611	2,611	3,406	795
TOTAL REVENUES	1,128,069	1,166,996	1,153,247	(13,749)
EXPENDITURES				
Current-Public protection:				
Salaries and employee benefits	962,869	1,012,945	1,010,756	2,189
Services and supplies	153,660	144,910	138,117	6,793
Other charges	7,014	7,374	6,977	397
Capital assets	22,735	21,514	20,809	705
TOTAL EXPENDITURES	1,146,278	1,186,743	1,176,659	10,084
DEFICIENCY OF REVENUES OVER EXPENDITURES	(18,209)	(19,747)	(23,412)	(3,665)
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	297	297	265	(32)
Transfers in	1,579	1,617	2,202	585
Transfers out	(3,500)	(3,500)	(3,500)	
Appropriation for contingencies		1,500		(1,500)
Changes in fund balance	(1,936)	(1,936)	3,090	5,026
TOTAL OTHER FINANCING SOURCES (USES)	(3,560)	(2,022)	2,057	4,079
NET CHANGE IN FUND BALANCE	(21,769)	(21,769)	(21,355)	414
FUND BALANCE, JULY 1, 2017 (Note 16)	21,769	21,769	21,769	
FUND BALANCE, JUNE 30, 2018 (Note 16)	$		414	414

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
FLOOD CONTROL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2018 (in thousands)

	FLOOD CONTROL DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	$ 141,645	146,871	147,994	1,123
Licenses, permits and franchises	1,110	1,110	1,042	(68)
Fines, forfeitures and penalties	940	940	850	(90)
Revenue from use of money and property:				
Investment income	4,319	4,717	8,338	3,621
Rents and concessions	6,231	6,231	5,439	(792)
Royalties	541	541	716	175
Intergovernmental revenues:				
Federal			6,987	6,987
State	1,489	1,489	5,812	4,323
Other	1,592	1,592	622	(970)
Charges for services	111,714	111,714	104,047	(7,667)
Miscellaneous	123	123	1,806	1,683
TOTAL REVENUES	269,704	275,328	283,653	8,325
EXPENDITURES				
Current-Public protection:				
Services and supplies	227,088	254,688	254,592	96
Other charges	8,606	25,106	18,448	6,658
Capital assets	505	505	486	19
Capital outlay	117,671	72,798	37,782	35,016
TOTAL EXPENDITURES	353,870	353,097	311,308	41,789
DEFICIENCY OF REVENUES OVER EXPENDITURES	(84,166)	(77,769)	(27,655)	50,114
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	45	45	1,157	1,112
Transfers out	(4,925)	(5,698)	(2,807)	2,891
Appropriations for contingencies		(5,624)		5,624
Changes in fund balance			6,934	6,934
TOTAL OTHER FINANCING SOURCES (USES)	(4,880)	(11,277)	5,284	16,561
NET CHANGE IN FUND BALANCE	(89,046)	(89,046)	(22,371)	66,675
FUND BALANCE, JULY 1, 2017 (Note 16)	89,046	89,046	89,046	
FUND BALANCE, JUNE 30, 2018 (Note 16)	$		66,675	66,675

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
COUNTY LIBRARY
FOR THE YEAR ENDED JUNE 30, 2018 (in thousands)

	COUNTY LIBRARY			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	$ 89,535	89,535	92,289	2,754
Fines, forfeitures and penalties			330	330
Revenue from use of money and property:				
Investment income	437	437	1,214	777
Rents and concessions	15	15	15	
Intergovernmental revenues:				
State	540	540	490	(50)
Other	165	165	525	360
Charges for services	2,995	2,995	13,862	10,867
Miscellaneous	934	934	2,385	1,451
TOTAL REVENUES	94,621	94,621	111,110	16,489
EXPENDITURES				
Current-Education:				
Salaries and employee benefits	101,625	101,625	92,212	9,413
Services and supplies	83,726	83,661	62,891	20,770
Other charges	945	945	862	83
Capital assets	1,324	3,729	1,711	2,018
TOTAL EXPENDITURES	187,620	189,960	157,676	32,284
DEFICIENCY OF REVENUES OVER EXPENDITURES	(92,999)	(95,339)	(46,566)	48,773
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	13	13	12	(1)
Transfers in	48,615	51,725	46,294	(5,431)
Transfers out	(1,556)	(2,326)	(2,326)	
Changes in fund balance	(2,061)	(2,061)	(752)	1,309
TOTAL OTHER FINANCING SOURCES (USES)	45,011	47,351	43,228	(4,123)
NET CHANGE IN FUND BALANCE	(47,988)	(47,988)	(3,338)	44,650
FUND BALANCE, JULY 1, 2017 (Note 16)	47,988	47,988	47,988	
FUND BALANCE, JUNE 30, 2018 (Note 16)	$		44,650	44,650

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
REGIONAL PARK AND OPEN SPACE DISTRICT
FOR THE YEAR ENDED JUNE 30, 2018 (in thousands)

	REGIONAL PARK AND OPEN SPACE DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Fines, forfeitures and penalties	$ 439	439	422	(17)
Revenue from use of money and property-Investment income	1,786	1,786	4,691	2,905
Charges for services	123,626	123,626	125,772	2,146
TOTAL REVENUES	125,851	125,851	130,885	5,034
EXPENDITURES				
Current-Recreation and cultural services:				
Services and supplies	12,518	12,523	7,758	4,765
Other charges	178,646	178,641	41,352	137,289
TOTAL EXPENDITURES	191,164	191,164	49,110	142,054
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(65,313)	(65,313)	81,775	147,088
OTHER FINANCING SOURCES (USES)				
Transfers in	122,977	122,982	119,468	(3,514)
Transfers out	(137,103)	(137,108)	(133,547)	3,561
Changes in fund balance	(89,003)	(89,003)	(84,551)	4,452
TOTAL OTHER FINANCING SOURCES (USES)	(103,129)	(103,129)	(98,630)	4,499
NET CHANGE IN FUND BALANCE	(168,442)	(168,442)	(16,855)	151,587
FUND BALANCE, JULY 1, 2017 (Note 16)	168,608	168,608	168,608	
FUND BALANCE, JUNE 30, 2018 (Note 16)	$ 166	166	151,753	151,587

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
MENTAL HEALTH SERVICES ACT
FOR THE YEAR ENDED JUNE 30, 2018 (in thousands)

	MENTAL HEALTH SERVICES ACT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Revenue from use of money and property-				
Investment income	$ 7,399	7,399	19,547	12,148
Intergovernmental revenues-				
State	527,874	527,874	561,599	33,725
TOTAL REVENUES	535,273	535,273	581,146	45,873
EXPENDITURES				
Current-Health and sanitation:				
Services and supplies	19,371	19,371	410	18,961
Other Charges		50,000	50,000	
TOTAL EXPENDITURES	19,371	69,371	50,410	18,961
EXCESS OF REVENUES OVER EXPENDITURES	515,902	465,902	530,736	64,834
OTHER FINANCING USES				
Transfers out	(598,996)	(579,693)	(518,652)	61,041
Appropriations for contingencies	(99,960)	(99,960)		99,960
Changes in fund balance	(187,033)	(156,336)	(155,348)	988
TOTAL OTHER FINANCING USES	(885,989)	(835,989)	(674,000)	161,989
NET CHANGE IN FUND BALANCE	(370,087)	(370,087)	(143,264)	226,823
FUND BALANCE, JULY 1, 2017 (Note 16)	370,087	370,087	370,087	
FUND BALANCE, JUNE 30, 2018 (Note 16)	$		226,823	226,823

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor-UCLA Medical Center	Olive View-UCLA Medical Center	LAC+USC Medical Center	Rancho Los Amigos National Rehab Center
ASSETS				
Current assets:				
Pooled cash and investments: (Notes 1 and 5)				
Operating	$ 1,326	34,233	32,000	347
Other	8,487	4,557	10,189	2,263
Total pooled cash and investments	9,813	38,790	42,189	2,610
Taxes receivable				
Accounts receivable - net (Note 14)	739,662	444,722	829,460	208,443
Interest receivable	89	21	30	8
Other receivables	21,678	17,499	31,733	5,261
Due from other funds (Note 15)	104,552	78,212	99,930	19,387
Advances to other funds (Note 15)				
Inventories	9,281	5,603	10,807	1,835
Total current assets	885,075	584,847	1,014,149	237,544
Noncurrent assets:				
Restricted assets (Note 5)	51,535	15,301	5,019	14,720
Other receivables (Note 14)	51,081	28,713	47,006	5,391
Capital assets: (Notes 6 and 10)				
Land and easements	3,276	16,426	18,183	217
Buildings and improvements	932,622	363,618	1,090,642	201,034
Equipment	131,096	91,407	150,051	36,825
Intangible - software	16,921	14,359	20,704	5,616
Infrastructure				
Construction in progress	61,436			287,702
Less accumulated depreciation	(330,378)	(196,346)	(398,846)	(141,540)
Total capital assets - net	814,973	289,464	880,734	389,854
Total noncurrent assets	917,589	333,478	932,759	409,965
TOTAL ASSETS	1,802,664	918,325	1,946,908	647,509
DEFERRED OUTFLOWS OF RESOURCES (Note 20)	244,208	156,377	326,109	66,311
LIABILITIES				
Current liabilities:				
Accounts payable	148,092	84,137	136,169	33,937
Accrued payroll	32,989	19,933	43,606	7,816
Other payables	4,861	2,360	4,242	1,333
Accrued interest payable	14,042	4,720		
Due to other funds (Note 15)	87,933	48,925	168,757	26,493
Advances from other funds (Note 15)	91,843	2,331	5,802	21,988
Advances payable		55	459	18
Current portion of long-term liabilities (Note 11)	186,176	57,356	169,039	201,119
Total current liabilities	565,936	219,817	528,074	292,704
Noncurrent liabilities:				
Accrued compensated absences (Note 11)	67,428	39,801	88,405	15,614
Bonds and notes (Note 11)	506,455	195,550		
Premiums on bonds and notes payable (Note 11)	16,537	13,581		
Capital lease obligations (Notes 10 and 11)	61	104		
Workers' compensation (Notes 11 and 18)	97,365	38,751	146,506	28,918
Litigation and self-insurance (Notes 11 and 18)	19,097	2,301	43,390	101
Net pension liability (Notes 8 and 11)	497,378	320,031	669,460	141,365
Net OPEB liability (Notes 9 and 11)	1,294,310	862,795	1,944,615	404,610
Third party payor (Notes 11 and 14)	148,789	61,494	213,221	39,969
Total noncurrent liabilities	2,647,420	1,534,408	3,105,597	630,577
TOTAL LIABILITIES	3,213,356	1,754,225	3,633,671	923,281
DEFERRED INFLOWS OF RESOURCES (Note 20)	126,032	79,146	183,611	45,580
NET POSITION				
Net investment in capital assets	274,023	90,496	880,734	211,804
Restricted:				
Debt service	3,233	9,515	5,019	
Public ways and facilities				
Unrestricted (deficit)	(1,569,772)	(858,680)	(2,430,018)	(466,845)
TOTAL NET POSITION (DEFICIT) (Note 3)	$ (1,292,516)	(758,669)	(1,544,265)	(255,041)

The notes to the basic financial statements are an integral part of this statement.

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Aviation Funds	Total	Internal Service Funds	
				ASSETS
				Current assets:
				Pooled cash and investments: (Notes 1 and 5)
$ 104,319	6,869	$ 179,094	$ 42,705	Operating
2,199	172	27,867	7,224	Other
106,518	7,041	206,961	49,929	Total pooled cash and investments
717		717		Taxes receivable
14,182	4,931	2,241,400		Accounts receivable - net (Note 14)
269	20	437	155	Interest receivable
		76,171	8,472	Other receivables
1,517	158	303,756	97,929	Due from other funds (Note 15)
1,335		1,335		Advances to other funds (Note 15)
		27,526	8,618	Inventories
124,538	12,150	2,858,303	165,103	Total current assets
				Noncurrent assets:
		86,575	18,259	Restricted assets (Note 5)
		132,191		Other receivables (Note 14)
				Capital assets: (Notes 6 and 10)
11,842	134,692	184,636		Land and easements
119,091	42,227	2,749,234		Buildings and improvements
1,519	1,473	412,371	270,115	Equipment
1,322		58,922		Intangible - software
1,211,358	57,313	1,268,671		Infrastructure
32,425	9,658	391,221		Construction in progress
(681,519)	(69,172)	(1,817,801)	(142,712)	Less accumulated depreciation
696,038	176,191	3,247,254	127,403	Total capital assets - net
696,038	176,191	3,466,020	145,662	Total noncurrent assets
820,576	188,341	6,324,323	310,765	TOTAL ASSETS
		793,005	160,533	DEFERRED OUTFLOWS OF RESOURCES (Note 20)
				LIABILITIES
				Current liabilities:
5,319	626	408,280	8,928	Accounts payable
		104,344	20,258	Accrued payroll
	45	12,841	2,892	Other payables
	21	18,783	342	Accrued interest payable
5,808	941	338,857	37,897	Due to other funds (Note 15)
		121,964	22,000	Advances from other funds (Note 15)
24		556	8,920	Advances payable
1,841	101	615,632	28,844	Current portion of long-term liabilities (Note 11)
12,992	1,734	1,621,257	130,081	Total current liabilities
				Noncurrent liabilities:
		211,248	55,929	Accrued compensated absences (Note 11)
7,124	1,614	710,743	26,540	Bonds and notes (Note 11)
		30,118		Premiums on bonds and notes payable (Note 11)
		165		Capital lease obligations (Notes 10 and 11)
		311,540	50,187	Workers' compensation (Notes 11 and 18)
		64,889		Litigation and self-insurance (Notes 11 and 18)
		1,628,234	342,566	Net pension liability (Notes 8 and 11)
		4,506,330	934,923	Net OPEB liability (Notes 9 and 11)
		463,473		Third party payor (Notes 11 and 14)
7,124	1,614	7,926,740	1,410,145	Total noncurrent liabilities
20,116	3,348	9,547,997	1,540,226	TOTAL LIABILITIES
		434,369	102,218	DEFERRED INFLOWS OF RESOURCES (Note 20)
				NET POSITION
688,723	174,476	2,320,256	96,954	Net investment in capital assets
				Restricted:
		17,767	5,143	Debt service
111,737		111,737		Public ways and facilities
	10,517	(5,314,798)	(1,273,243)	Unrestricted (deficit)
$ 800,460	184,993	(2,865,038)	$ (1,171,146)	TOTAL NET POSITION (DEFICIT) (Note 3)
		(3,222)		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		$ (2,868,260)		NET POSITION (DEFICIT) OF BUSINESS-TYPE ACTIVITIES (PAGE 25)

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor-UCLA Medical Center	Olive View-UCLA Medical Center	LAC+USC Medical Center	Rancho Los Amigos National Rehab Center
OPERATING REVENUES:				
Net patient service revenues (Note 14)	$ 1,255,403	738,763	1,789,842	280,515
Rentals				
Charges for services				
Other (Note 14)	247,645	149,613	170,420	80,924
TOTAL OPERATING REVENUES	1,503,048	888,376	1,960,262	361,439
OPERATING EXPENSES:				
Salaries and employee benefits	804,572	496,397	1,078,653	200,008
Services and supplies	202,085	119,935	274,089	35,940
Other professional services	223,341	143,543	392,376	51,201
Depreciation and amortization (Note 6)	25,300	13,322	27,675	5,187
Medical malpractice			3,195	
Rent	11,190	4,969	7,759	2,346
TOTAL OPERATING EXPENSES	1,266,488	778,166	1,783,747	294,682
OPERATING INCOME (LOSS)	236,560	110,210	176,515	66,757
NONOPERATING REVENUES (EXPENSES):				
Taxes				
Investment income (loss)	392	(331)	(133)	(158)
Interest expense	(33,777)	(10,326)	(714)	(1,960)
Intergovernmental transfers expense (Note 14)	(394,215)	(199,485)	(517,261)	(93,374)
Intergovernmental revenues:				
State				
Federal				
TOTAL NONOPERATING REVENUES (EXPENSES)	(427,600)	(210,142)	(518,108)	(95,492)
LOSS BEFORE CONTRIBUTIONS AND TRANSFERS	(191,040)	(99,932)	(341,593)	(28,735)
Capital contributions			76	
Transfers in (Note 15)	276,650	219,000	291,758	39,190
Transfers out (Note 15)	(3,981)	(16,230)		(46,627)
CHANGE IN NET POSITION	81,629	102,838	(49,759)	(36,172)
NET POSITION (DEFICIT), JULY 1, 2017, AS RESTATED (Note 2)	(1,374,145)	(861,507)	(1,494,506)	(218,869)
NET POSITION (DEFICIT), JUNE 30, 2018	$ (1,292,516)	(758,669)	(1,544,265)	(255,041)

The notes to the basic financial statements are an integral part of this statement.

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Aviation Funds	Total	Internal Service Funds	
				OPERATING REVENUES:
$		$ 4,064,523	$	Net patient service revenues (Note 14)
	4,317	4,317	30,069	Rentals
85,664	545	86,209	541,666	Charges for services
108	2	648,712		Other (Note 14)
85,772	4,864	4,803,761	571,735	TOTAL OPERATING REVENUES
				OPERATING EXPENSES:
		2,579,630	497,280	Salaries and employee benefits
68,980	7,469	708,498	45,727	Services and supplies
2,177	621	813,259	36,547	Other professional services
23,971	2,983	98,438	38,249	Depreciation and amortization (Note 6)
		3,195		Medical malpractice
		26,264		Rent
95,128	11,073	4,229,284	617,803	TOTAL OPERATING EXPENSES
(9,356)	(6,209)	574,477	(46,068)	OPERATING INCOME (LOSS)
				NONOPERATING REVENUES (EXPENSES):
6,013		6,013		Taxes
727	93	590	(111)	Investment income (loss)
(173)	(75)	(47,025)	(1,996)	Interest expense
		(1,204,335)		Intergovernmental transfers expense (Note 14)
				Intergovernmental revenues:
492	1	493		State
2,183	25	2,208		Federal
9,242	44	(1,242,056)	(2,107)	TOTAL NONOPERATING REVENUES (EXPENSES)
(114)	(6,165)	(667,579)	(48,175)	LOSS BEFORE CONTRIBUTIONS AND TRANSFERS
	8,291	8,367		Capital contributions
		826,598	6,727	Transfers in (Note 15)
(687)		(67,525)	(22,191)	Transfers out (Note 15)
(801)	2,126	99,861	(63,639)	CHANGE IN NET POSITION
801,261	182,867		(1,107,507)	NET POSITION (DEFICIT), JULY 1, 2017, AS RESTATED (Note 2)
$ 800,460	184,993		$ (1,171,146)	NET POSITION (DEFICIT), JUNE 30, 2018
		(7,971)		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		$ 91,890		CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES (PAGE 27)

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor-UCLA Medical Center	Olive View-UCLA Medical Center	LAC+USC Medical Center	Rancho Los Amigos National Rehab Center
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from patient services	$ 965,983	596,631	1,704,931	371,301
Rentals received				
Rentals received from other funds				
Cash received from (returned for) charges for services				
Other operating revenues	247,645	149,613	170,420	80,924
Cash received for services provided to other funds	26,171	29,506	42,688	663
Cash paid for salaries and employee benefits	(720,482)	(442,677)	(957,720)	(178,218)
Cash (paid) returned for services and supplies	(227)	3,585	(52,237)	(17,221)
Other operating expenses	(236,928)	(150,770)	(395,383)	(54,268)
Cash (paid) returned for services from other funds	(124,974)	(57,102)	(83,464)	15,740
Net cash provided by (required for) operating activities	157,188	128,786	429,235	218,921
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash advances received from other funds	1,217,713	794,758	1,577,727	268,101
Cash advances paid/returned to other funds	(1,141,992)	(824,695)	(1,630,685)	(303,295)
Interest paid on advances	(912)	(387)	(714)	(129)
Intergovernmental transfers	(394,215)	(199,485)	(517,261)	(93,374)
Intergovernmental receipts				
Transfers in	225,031	162,373	207,849	2,365
Transfers out	(3,981)	(16,230)		(46,627)
Net cash provided by (required for) noncapital financing activities	(98,356)	(83,666)	(363,084)	(172,959)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from taxes				
Capital contributions				
Proceeds from bonds and notes	56,331			192,770
Interest paid on capital borrowing	(33,499)	(10,346)		(1,831)
Principal payments on bonds and notes	(41,570)	(4,278)		(129,997)
Principal payments on capital leases	(23)	(18)		
Acquisition and construction of capital assets	(51,362)	(11,580)	(36,345)	(92,380)
Net cash provided by (required for) capital and related financing activities	(70,123)	(26,222)	(36,345)	(31,438)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income (loss)	373	(313)	(129)	(158)
Net increase (decrease) in cash and cash equivalents	(10,918)	18,585	29,677	14,366
Cash and cash equivalents, July 1, 2017	72,266	35,506	17,531	2,964
Cash and cash equivalents, June 30, 2018	$ 61,348	54,091	47,208	17,330

The notes to the basic financial statements are an integral part of this statement.

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Aviation Funds	Total	Internal Service Funds	
				CASH FLOWS FROM OPERATING ACTIVITIES
		$ 3,638,846		Cash received from patient services
	4,317	4,317	16	Rentals received
			29,965	Rentals received from other funds
81,466	(3,676)	77,790	29,204	Cash received from (returned for) charges for services
108	2	648,712		Other operating revenues
		99,028	484,547	Cash received for services provided to other funds
		(2,299,097)	(443,662)	Cash paid for salaries and employee benefits
(67,197)	(6,793)	(140,090)	(41,539)	Cash (paid) returned for services and supplies
(2,177)	(621)	(840,147)	(36,547)	Other operating expenses
		(249,800)		Cash (paid) returned for services from other funds
12,200	(6,771)	939,559	21,984	Net cash provided by (required for) operating activities
				CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES
		3,858,299	8,715	Cash advances received from other funds
29		(3,900,638)		Cash advances paid/returned to other funds
		(2,142)		Interest paid on advances
		(1,204,335)		Intergovernmental transfers
2,675	26	2,701		Intergovernmental receipts
		597,618	6,727	Transfers in
(687)		(67,525)	(10,907)	Transfers out
2,017	26	(716,022)	4,535	Net cash provided by (required for) noncapital financing activities
				CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES
6,093		6,093		Proceeds from taxes
	8,291	8,291		Capital contributions
		249,101	20,000	Proceeds from bonds and notes
(173)	(54)	(45,903)	(1,872)	Interest paid on capital borrowing
(374)	(98)	(176,317)	(20,670)	Principal payments on bonds and notes
		(41)		Principal payments on capital leases
(5,878)	(3,787)	(201,332)	(30,399)	Acquisition and construction of capital assets
(332)	4,352	(160,108)	(32,941)	Net cash provided by (required for) capital and related financing activities
				CASH FLOWS FROM INVESTING ACTIVITIES
744	102	619	(7)	Investment income (loss)
14,629	(2,291)	64,048	(6,429)	Net increase (decrease) in cash and cash equivalents
91,889	9,332	229,488	74,617	Cash and cash equivalents, July 1, 2017
$ 106,518	7,041	$ 293,536	$ 68,188	Cash and cash equivalents, June 30, 2018

Continued…

FOR THE YEAR ENDED JUNE 30, 2018 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor-UCLA Medical Center	Olive View-UCLA Medical Center	LAC+USC Medical Center	Rancho Los Amigos National Rehab Center
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	$ 236,560	110,210	176,515	66,757
Adjustments to reconcile operating income (loss) to net cash provided by (required for) operating activities:				
Depreciation and amortization	25,300	13,322	27,675	5,187
(Increase) decrease in:				
Accounts receivable - net	(94,845)	(6,201)	37,851	(12,140)
Other receivables	(1,110)	(2,649)	14,977	1,275
Due from other funds	(47,490)	(39,005)	14,648	122,241
Inventories	(1,044)	(1,338)	(1,795)	(50)
Increase (decrease) in:				
Accounts payable	30,323	30,214	7,511	(10,781)
Accrued payroll	2,981	1,570	3,874	343
Other payables	230	121	240	78
Accrued compensated absences	3,402	2,834	5,391	324
Due to other funds	47,605	37,542	132,672	45,290
Workers' compensation	5,286	3,596	8,754	1,539
Litigation and self-insurance	(2,397)	(2,258)	7,947	(721)
Net pension liability and related changes in deferred outflows and inflows of resources	8,860	2,756	7,589	430
Net OPEB liability and related changes in deferred outflows and inflows of resources	64,899	43,928	97,315	19,391
Third party payor	(121,372)	(65,856)	(111,929)	(20,242)
TOTAL ADJUSTMENTS	(79,372)	18,576	252,720	152,164
NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES	$ 157,188	128,786	429,235	218,921
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES-				
Contributions of capital assets	$		76	
TOTAL	$		76	
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:				
Pooled cash and investments	$ 9,813	38,790	42,189	2,610
Restricted assets	51,535	15,301	5,019	14,720
TOTAL	$ 61,348	54,091	47,208	17,330

The notes to the basic financial statements are an integral part of this statement.

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Aviation Funds	Total	Internal Service Funds	
				RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:
$ (9,356)	(6,209)	$ 574,477	$ (46,068)	Operating income (loss)
				Adjustments to reconcile operating income (loss) to net cash provided by (required for) operating activities:
23,971	2,983	98,438	38,249	Depreciation and amortization
				(Increase) decrease in:
(4,279)	(4,063)	(83,677)		Accounts receivable - net
		12,493	804	Other receivables
81	(158)	50,317	(29,920)	Due from other funds
		(4,227)	(147)	Inventories
				Increase (decrease) in:
2,095	616	59,978	680	Accounts payable
		8,768	1,839	Accrued payroll
		669	324	Other payables
		11,951	2,916	Accrued compensated absences
(312)	60	262,857	3,655	Due to other funds
		19,175	2,717	Workers' compensation
		2,571		Litigation and self-insurance
		19,635	1,620	Net pension liability and related changes in deferred outflows and inflows of resources
		225,533	45,315	Net OPEB liability and related changes in deferred outflows and inflows of resources
		(319,399)		Third party payor
21,556	(562)	365,082	68,052	TOTAL ADJUSTMENTS
$ 12,200	(6,771)	$ 939,559	$ 21,984	NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES
				NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES-
$		$ 76	$	Contributions of capital assets
$		$ 76	$	TOTAL
				RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:
$ 106,518	7,041	$ 206,961	$ 49,929	Pooled cash and investments
		86,575	18,259	Restricted assets
$ 106,518	7,041	$ 293,536	$ 68,188	TOTAL

COUNTY OF LOS ANGELES
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018 (in thousands)

	PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS	INVESTMENT TRUST FUNDS	AGENCY FUNDS
ASSETS			
Pooled cash and investments (Note 5)	$ 94,986	$ 20,613,134	$ 1,680,551
Other investments: (Note 5)		154,198	300
Short-term investments	1,795,345		
Equity	26,117,827		
Fixed income	16,307,549		
Private equity	5,929,098		
Real estate	6,423,319		
Hedge funds	1,592,126		
Cash collateral on loaned securities	1,191,235		
Taxes receivable			221,253
Interest receivable	102,865	47,066	117,625
Other receivables	754,637		
TOTAL ASSETS	60,308,987	20,814,398	2,019,729
LIABILITIES			
Accounts payable	1,803,897		
Other payables (Note 5)	1,264,101		
Due to other governments			2,019,729
TOTAL LIABILITIES	3,067,998		2,019,729
NET POSITION			
Net position restricted for pension benefits and other purposes	$ 57,240,989	$ 20,814,398	$

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018 (in thousands)

	PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS	INVESTMENT TRUST FUNDS
ADDITIONS		
Contributions:		
Pension and OPEB trust contributions:		
Employer	$ 2,231,532	$
Member	636,062	
Contributions to investment trust funds		47,293,387
Total contributions	2,867,594	47,293,387
Investment earnings:		
Investment income	3,988,416	66,388
Net increase in the fair value of investments	990,520	
Securities lending income (Note 5)	18,796	
Total investment earnings	4,997,732	66,388
Less - Investment expenses:		
Expense from investing activities	189,233	
Expense from securities lending activities (Note 5)	13,113	
Total net investment expense	202,346	
Net investment earnings	4,795,386	66,388
Miscellaneous	5,613	
TOTAL ADDITIONS	7,668,593	47,359,775
DEDUCTIONS		
Administrative expenses:		
Salaries and employee benefits	58,790	
Services and supplies	19,581	
Total administrative expenses	78,371	
Benefit payments	3,812,095	
Distributions from investment trust funds		45,879,829
Miscellaneous	23,672	
TOTAL DEDUCTIONS	3,914,138	45,879,829
CHANGE IN NET POSITION	3,754,455	1,479,946
NET POSITION, JULY 1, 2017	53,486,534	19,334,452
NET POSITION, JUNE 30, 2018	$ 57,240,989	$ 20,814,398

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2018 (in thousands)

	COMMUNITY DEVELOPMENT COMMISSION	FIRST 5 LA	TOTAL
ASSETS			
Pooled cash and investments			
Operating (Notes 1 and 5)	$ 77,763	382,992	$ 460,755
Other investments (Note 5)	353,973		353,973
Accounts receivable - net	24,088		24,088
Interest receivable		767	767
Other receivables	14,324	15,942	30,266
Inventories	9,731		9,731
Capital assets: (Notes 6 and 10)			
Capital assets, not being depreciated	97,328	2,039	99,367
Capital assets, net of accumulated depreciation	75,030	9,007	84,037
Total capital assets	172,358	11,046	183,404
TOTAL ASSETS	652,237	410,747	1,062,984
DEFERRED OUTFLOWS OF RESOURCES	27,652		27,652
LIABILITIES			
Accounts payable	23,482	19,982	43,464
Other payables	7,262	17	7,279
Advances payable	10,482		10,482
Long-term liabilities: (Note 11)			
Due within one year	5,418	108	5,526
Due in more than one year	95,351	575	95,926
TOTAL LIABILITIES	141,995	20,682	162,677
DEFERRED INFLOWS OF RESOURCES	10,801		10,801
NET POSITION			
Net investment in capital assets	129,259	11,046	140,305
Restricted for:			
Debt service	332		332
Community development	351,671		351,671
First 5 LA		379,019	379,019
Unrestricted	45,831		45,831
TOTAL NET POSITION	$ 527,093	390,065	$ 917,158

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2018 (in thousands)

	COMMUNITY DEVELOPMENT COMMISSION	FIRST 5 LA	TOTAL
PROGRAM (EXPENSES) REVENUES:			
Expenses	$ (453,503)	(122,221)	$ (575,724)
Program revenues:			
Charges for services	26,770		26,770
Operating grants and contributions	487,616	74,724	562,340
Capital grants and contributions	3,161		3,161
Net program (expenses) revenues	64,044	(47,497)	16,547
GENERAL REVENUES:			
Investment income	546	4,088	4,634
Miscellaneous	2,171	148	2,319
Total general revenues	2,717	4,236	6,953
CHANGE IN NET POSITION	66,761	(43,261)	23,500
NET POSITION, JULY 1, 2017, AS RESTATED (Note 2)	460,332	433,326	893,658
NET POSITION, JUNE 30, 2018	$ 527,093	390,065	$ 917,158

The notes to the basic financial statements are an integral part of this statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The County of Los Angeles (County), which was established in 1850, is a legal subdivision of the State of California (State) charged with general governmental powers. The County's powers are exercised through an elected five member Board of Supervisors (Board), which, as the governing body of the County, is responsible for the legislative and executive control of the County. As required by generally accepted accounting principles (GAAP), these basic financial statements include both those of the County and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

The basic financial statements include blended, fiduciary and discretely presented component units. The blended component units, although legally separate entities are, in substance, part of the County's operations. The data from these units are combined with data of the primary government. The fiduciary component unit is reported under Fiduciary Funds in the basic financial statements. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements.

Blended Component Units

While each of the component units is legally separate from the County, the County is financially accountable for these entities. Financial accountability is primarily demonstrated by the County's Board acting as the governing board for each of the component units and its ability to impose its will or an existence of a financial benefit/burden relationship. County management has determined that the following related entities should be included in the basic financial statements as blended component units:

Fire Protection District
Flood Control District
Garbage Disposal Districts
Improvement Districts
Regional Park and Open Space District
Sewer Maintenance Districts
Street Lighting Districts
Waterworks Districts
Los Angeles County Capital Asset Leasing Corporation (a Not-for-Profit Corporation) (NPC)
Various Joint Powers Authorities (JPAs)
Los Angeles County Securitization Corporation (LACSC)

The various districts are included primarily because the Board is also their governing board and the County has operational responsibilities for the districts. As such, the Board establishes policy, appoints management and exercises budgetary control. The NPC and JPAs have been included because their sole purpose is to finance and construct County capital assets and because they are dependent upon the County for funding.

The Los Angeles County Capital Asset Leasing Corporation (LACCAL) is organized as a not-for-profit corporation in which the primary government is the sole corporate member, as identified in LACCAL's articles of incorporation or bylaws, and the component unit is included in the financial reporting entity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Blended Component Units-Continued

The LACSC is a California public benefit corporation created by the County Board of Supervisors in January 2006. Three directors, the County's Auditor-Controller, Treasurer and Tax Collector, and an independent party designated by at least one of the County directors, govern the LACSC. The LACSC purpose is to acquire the County's rights in relation to future tobacco settlement payments and to facilitate the issuance of long-term bonds secured by the County Tobacco Assets. The LACSC provides service solely to the County and is reported as a blended component unit of the County.

Fiduciary Component Unit

The County pension plan is administered by the Los Angeles County Employees Retirement Association (LACERA), which was established under the County Employees' Retirement Law of 1937 (CERL). LACERA is a cost-sharing, multi-employer defined benefit plan. LACERA provides retirement, disability, death benefits and cost of living adjustments to eligible members. LACERA also administers a cost-sharing, multi-employer OPEB or Retiree Healthcare Program on behalf of the County. LACERA is reported in the Pension and Other Postemployment Benefit Trust Funds on the Statement of Net Position - Fiduciary Funds of the basic financial statements and has been included because its operations are dependent upon County funding and because its operations, almost exclusively, benefit the County. LACERA issues a stand-alone financial report, which is available at its offices located at Gateway Plaza, 300 N. Lake Avenue, Pasadena, California 91101-4199 or at www.LACERA.com.

Discretely Presented Component Units

Community Development Commission (CDC) of the County of Los Angeles

CDC, established on July 1, 1982, by ordinance of the Board of Supervisors, is responsible for:

- Directing the County's housing programs, including planning, housing finance, production and conservation, and management of the County's public housing developments;
- Financing community improvements such as resurfacing streets, rehabilitating homes and businesses, and removing graffiti;
- Providing economic development and business revitalization services;
- Redeveloping housing, business, and industry in designated areas; and
- Providing comprehensive planning systems for housing and economic development.

While its Board members are the same as the County Board of Supervisors, CDC does not meet the criteria for blending due to the following: 1) there is no financial burden or benefit relationship with the County nor does management of the County have operational responsibilities over it; 2) the CDC does not provide services entirely or almost entirely to the County; and 3) the CDC total debt outstanding is not expected to be repaid with resources of the County. The financial activity of the CDC is reported within the Discretely Presented Component Units column of the government-wide financial statements. CDC issues a separate financial report that can be obtained at https://www.lacdc.org/about-cdc/budget-and-finance or by writing to the Community Development Commission at 700 W. Main Street, Alhambra, California 91801.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Discretely Presented Component Units-Continued

Los Angeles County Children and Families First - Proposition 10 Commission

Los Angeles County Children and Families First - Proposition 10 Commission also known as First 5 LA (First 5) was established by the County as a separate legal entity to administer the County's share of tobacco taxes levied by the State pursuant to Proposition 10. The County’s Board established First 5 with nine voting members and four non-voting representatives. Of the nine voting members, one is a member of the Board of Supervisors, three are heads of County Departments (Public Health Services, Mental Health, and Children and Family Services), and five are public members appointed by the Board. The non-voting representatives are from other County commissions and planning groups.

First 5 services are focused on the development and well-being of all children, from the prenatal stage until age five. First 5 is a discretely presented component unit of the County because the County’s Board appoints the voting Commissioners and the County has the ability to impose its will by removing those Commissioners at will. First 5 hires its own employees, including an Executive Director and functions independent of the County. It is discretely presented because its governing body is not substantially the same as the County's governing body and it does not provide services entirely or exclusively to the County. The financial activity of First 5 is reported within the Discretely Presented Component Units column of the government-wide financial statements. First 5 issues a separate financial report that can be obtained by writing to First 5 LA at 750 N. Alameda Street, Suite 300, Los Angeles, California 90012.

Related Organization

Los Angeles County Office of Education (LACOE) is a legally separate entity from the County. LACOE is governed by a seven-member Board of Education appointed by the County Board of Supervisors. However, the County’s accountability for LACOE does not extend beyond making appointments and no financial benefit/burden relationship exists between the County and LACOE. LACOE is deemed to be a related organization. LACOE issues a separate financial report that can be obtained by writing to the Los Angeles County Office of Education at 9300 Imperial Highway, Downey, California 90242-2890.

Basic Financial Statements

In accordance with Governmental Accounting Standards Board Statement (GASB) 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," the basic financial statements consist of the following:

- Government-wide financial statements;
- Fund financial statements; and
- Notes to the basic financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Government-wide Financial Statements

The statement of net position and statement of activities display information about the primary government, the County, and its blended and discretely presented component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities, except for services provided among funds (other than internal service funds). These statements distinguish between the governmental and business-type activities of the County and between the County and its discretely presented component units.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs. Grants and contributions that are restricted to meeting the operational or capital requirements of a particular program are also recognized as program revenues. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Net position is classified into the following three components: 1) net investment in capital assets; 2) restricted and 3) unrestricted. Net position is reported as restricted when it has external restrictions imposed by creditors, grantors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2018, the restricted net position balances were $3.524 billion and $134.65 million for governmental activities and business-type activities, respectively. For governmental activities, $607.30 million was restricted by enabling legislation.

When both the restricted and unrestricted components of net position are available, restricted resources are used first and then unrestricted resources are used to the extent necessary.

Fund Financial Statements

The fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements for each fund category - governmental, proprietary, and fiduciary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

In accordance with GAAP, the County reports on each major fund. By definition, the general fund is always considered a major fund. Funds other than the general fund must be reported as major funds if they meet both the ten percent and five percent criterion, defined respectively, 1) an individual fund reports at least ten percent of any of the following: a) total fund assets and deferred outflows of resources, b) total fund liabilities and deferred inflows of resources, c) total fund revenues, or d) total fund expenditures/expenses; 2) an individual fund reports at least five percent of the aggregated total for both governmental funds and enterprise funds of any one of the items for which it met the ten percent criterion. In addition, a fund may be reported as major if it is believed to be of particular importance to financial statement users.

The County reports the following major governmental funds:

General Fund
The General Fund is available for any authorized purpose and is used to account for and report all financial resources not accounted for and reported in another fund.

Fire Protection District Fund
The Fire Protection District Fund is used to account for fire prevention and suppression, rescue service, management of hazardous materials incidents, ocean lifeguard services, and acquisition and maintenance of District property and equipment. Funding comes primarily from the District's statutory share of the Countywide tax levy, voter-approved taxes and charges for services.

Flood Control District Fund
The Flood Control District Fund is used to account for the control and conservation of flood, storm and other waste waters, to conserve such waters for beneficial and useful purposes, and to protect the harbors, waterways, public highways and property located within the District from damage from such flood and storm waters. Funding comes primarily from the District's statutory share of the Countywide tax levy and benefit assessments (charges for services).

County Library Fund
The County Library Fund, previously the Public Library Fund, is used to account for free library services to the unincorporated areas of the County and to cities that contract for these services. Funding comes primarily from the District's statutory share of the Countywide tax levy and voter-approved taxes.

Regional Park and Open Space District Fund
The Regional Park and Open Space District Fund is used to account for the programs designed to preserve beaches, parks, and wild lands, to acquire and renovate new and existing recreational facilities, and to restore rivers, streams, and trails in the County. Funding comes primarily from voter-approved assessments, charges for services and long-term debt proceeds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Mental Health Services Act Fund

The Mental Health Services Act Fund is used to account for the Mental Health Services Act (MHSA) to support the County's mental health delivery system for children, transition age youth, adults, older adults, and families. Revenues are derived primarily by the passage of State Proposition 63 in November 2004. Proposition 63 generates mental health revenue through a one percent income surcharge on individuals with State taxable incomes over $1.0 million.

The County's four Hospital Funds and Waterworks Funds are all considered major funds for presentation purposes. There is one nonmajor enterprise fund (Aviation Funds). The Hospital Enterprise funds provide health services to County residents. Revenues are principally patient service fees. Subsidies are also received from the General Fund. The Waterworks Enterprise Funds provide water services to County residents. Revenues are derived primarily from the sale of water and water service standby charges. The Aviation Enterprise Funds provide airport services for five County airports. Revenues are derived primarily from airport charges and rentals. A description of each Enterprise Fund is provided below:

Harbor-UCLA Medical Center

The Harbor-UCLA Medical Center (H/UCLA) provides acute and intensive care unit medical/ surgical inpatient and outpatient services, trauma and emergency room services, acute psychiatric services, pediatric and obstetric services, and transplants.

Olive View-UCLA Medical Center

The Olive View-UCLA Medical Center (OV/UCLA) provides acute and intensive care, emergency services, medical/surgical inpatient and outpatient health care services, obstetric and gynecological services, and psychiatric services.

LAC+USC Medical Center

The LAC+USC Medical Center (LAC+USC) provides acute and intensive care unit medical/ surgical inpatient and outpatient services, trauma and emergency room services, a burn center, psychiatric services, renal dialysis, AIDS services, pediatric and obstetric services, and communicable disease services.

Rancho Los Amigos National Rehabilitation Center

The Rancho Los Amigos National Rehabilitation Center (Rancho) specializes in the rehabilitation for victims of spinal cord injuries and strokes, pathokinesiology and polio services, services for liver diseases, pediatrics, ortho diabetes, dentistry, and neuro-science.

Waterworks Funds

The Waterworks Enterprise funds are used to account for the administration, maintenance, operation and improvement of district water systems.

Aviation Funds

The Aviation Enterprise Funds are used to account for the administration, maintenance, operation and improvement of the five airports which are owned by the County.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

The following fund types have also been reported:

Internal Service Funds

The Internal Service Funds are used to account for the financing of services provided by a department or agency to other departments or agencies on a cost-reimbursement basis. The County's principal Internal Service Fund is used to account for the cost of services provided by the Department of Public Works to various other County funds and agencies.

Fiduciary Fund Types

Pension and Other Postemployment Benefits Trust Funds

The Pension Trust Fund is used to account for financial activities of the County's Pension Plan administered by LACERA.

The Other Postemployment Benefits (OPEB) Trust Fund is used to account for the financial activities of the OPEB trust for the purpose of holding and investing assets to pre-fund the Retiree Health Program administered by LACERA.

Investment Trust Funds

The Pooled Investment Trust Fund is used to account for the net position of the County's external investment pool.

The Specific Investment Trust Fund is used to account for the net position of individual investment accounts, in aggregate. The related investment activity occurs separately from the County's investment pool and is provided as a service to external investors.

Agency Funds

The Agency Funds are used primarily to account for assets held by the County in an agency capacity pending transfer or distribution to individuals, private organizations, other governmental entities, and other funds. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. These funds (including property taxes and departmental funds) account for assets held by the County in an agency capacity for individuals or other government units.

Basis of Accounting

The government-wide, proprietary, pension and other postemployment benefits, and investment trust funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants and similar items are recognized in the fiscal year in which all eligibility requirements have been satisfied.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basis of Accounting-Continued

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers revenues to be available if collectible within one year after year-end, except for property taxes, which are considered available to the extent that they are collectible within 60 days after year-end. When property taxes are measurable but not available, the collectible portion (taxes levied less estimated uncollectibles) is recorded as deferred inflows of resources in the period when an enforceable legal claim to the assets arises. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims (including workers' compensation) and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and capital lease obligations are reported as other financing sources.

For the governmental funds financial statements, revenues are recorded when they are susceptible to accrual. Specifically, ad valorem property taxes (except for redevelopment agency dissolution), sales taxes, investment income (loss), charges for services, and other miscellaneous revenue are all considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and are recorded at the time of receipt or earlier, if the susceptible to accrual criteria are met. When all eligibility requirements are met, except for the timing requirements, a deferred inflow of resources is reported until the time requirements have passed. All other revenues are not considered susceptible to accrual and are recognized when received, including property tax revenues derived from redevelopment agency dissolution.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's four Hospital Enterprise Funds (Hospitals) are from patient services. The principal operating revenues for the Waterworks Enterprise Funds are from charges for services. The principal operating revenues for the Nonmajor Aviation Enterprise Funds and Internal Service Funds are charges for services and rental revenues. Operating expenses for all Enterprise Funds and the Internal Service Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. Medical malpractice expenses, which are self-insured, are classified as operating expenses of the Hospitals. All other revenues and expenses not meeting this definition are reported as nonoperating items. As discussed in Note 14, intergovernmental transfer payments are recorded in the Hospitals and this item is classified as a nonoperating expense.

Agency funds do not have a measurement focus because they report only assets and liabilities. They do, however, use the accrual basis of accounting to recognize receivables and payables.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Budgetary Data

In accordance with the provisions of Sections 29000-29144 of the Government Code of the State of California (Government Code), commonly known as the County Budget Act, the County prepares and adopts a budget on or before October 2 for each fiscal year. Budgets are adopted for the major governmental funds and certain nonmajor governmental funds on a basis of accounting that is different from GAAP. Annual budgets were not adopted for the JPAs, Public Buildings and the LACSC debt service funds, the capital project funds and the permanent funds.

The County budget is organized by budget unit and by expenditure object. Budget units are established at the discretion of the Board of Supervisors. Within the General Fund (with certain exceptions), budget units are generally defined as individual departments. For other funds, each individual fund constitutes a budget unit. Expenditures are controlled at the object level for all budget units within the County, except for capital asset expenditures, which are controlled at the sub-object level. The total budget exceeds $32.232 billion and is currently controlled through the use of approximately 400 separate budget units. There were no excesses of expenditures over the related appropriations within any fund for the year ended June 30, 2018. The County prepares a separate budgetary document, the County Budget, which demonstrates legal compliance with budgetary control. This document is made available to the public on the County's website at https://ceo.lacounty.gov/budget, or can be obtained from the Auditor-Controller's office.

Transfers of appropriations between budget units must be approved by the Board. Supplemental appropriations financed by unanticipated revenue during the year must also be approved by the Board. Transfers of appropriations between objects of expenditure within the same budget unit must be approved by the Board or the Chief Executive Office, depending upon the amount transferred. The original and final budget amounts are reported in the accompanying basic financial statements. Any excess of budgetary expenditures and other financing uses over revenues and other financing sources is financed by beginning available fund balances as provided for in the County Budget Act.

Note 16 describes the differences between the budgetary basis of accounting and GAAP. A reconciling schedule is also presented for the major governmental funds.

Property Taxes

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the Government Code and Revenue and Taxation Code. Property is assessed at 100% of full cash or market value (with some exceptions) pursuant to Article XIIIA of the California State Constitution and statutory provisions by the County Assessor and State Board of Equalization. The total FY 2017-2018 assessed valuation of the County of Los Angeles approximated $1.435 trillion.

The property tax levy to support general operations of the various jurisdictions is limited to one percent (1%) of full cash value and is distributed in accordance with statutory formulae. Amounts needed to finance the annual requirements of voter-approved debt are excluded from this limitation and are separately calculated and levied each fiscal year. The rates are formally adopted by either the Board or the city councils and, in some instances, the governing board of a special district.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Property Taxes-Continued

The County is divided into 13,098 tax rate areas, which are unique combinations of various jurisdictions servicing a specific geographic area. The rates levied within each tax rate area vary only in relation to levies assessed as a result of voter-approved taxes or indebtedness.

Property taxes are levied on both real and personal property. Secured property taxes are levied during September of each year. They become a lien on real property on January 1 preceding the fiscal year for which taxes are levied. These tax payments can be made in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Secured property taxes, which are delinquent and unpaid as of June 30, are declared to be tax defaulted and are subject to redemption penalties, costs, and interest when paid. If the delinquent taxes are not paid at the end of five (5) years, the property may be sold at public auction. The proceeds are used to pay the delinquent amounts due, and any excess is remitted, if claimed, to the taxpayer. Additional tax liens are created when there is a change in ownership of property or upon completion of new construction. Tax bills for these new tax liens are issued throughout the fiscal year and contain various payment and delinquent dates but are generally due within one year. If the new tax liens are lower, the taxpayer receives a tax refund rather than a tax bill. Unsecured personal property taxes are not a lien against real property. These taxes are due on August 1 and become delinquent, if unpaid, on August 31.

Legislation Dissolving Redevelopment Agencies and Affect on Property Taxes

State Assembly Bill (AB) x1 26, also referred to as the “Redevelopment Dissolution Act” was approved in 2011. Under AB x1 26, property tax revenues are allocated to pay enforceable legal obligations, pass-through payments and eligible administrative costs. Any remaining property tax revenues, otherwise known as “residual taxes,” are distributed as property tax revenue to the appropriate local government agencies, including the County. Oversight Boards have been established for each of the 71 successor agencies within the County. The Oversight Boards are required to evaluate and approve the successor agencies’ remaining enforceable legal obligations. The County Auditor-Controller is responsible for disbursing property tax increment revenues in accordance with provisions of AB x1 26 and applicable amendments. For the year ended June 30, 2018, the County’s share of residual property tax revenues was $239.32 million, of which $201.85 million was recognized in the County’s General Fund.

Deposits and Investments

Deposits and investments as discussed in Note 5 are reflected in the following asset accounts:

Pooled Cash and Investments

As provided for by the Government Code, the cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing interest earnings through investment activities. Interest earned on pooled investments is deposited to participating funds based upon each fund's average daily deposit balance during the allocation period. Each respective fund's share of the total pooled cash and investments is included among asset balances under the caption "Pooled Cash and Investments."

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deposits and Investments-Continued

Pooled Cash and Investments-Continued

Pooled Cash and Investments are identified within the following categories for all County operating funds:

Operating Pooled Cash and Investments

This account represents amounts reflected in the County's day-to-day financial records. Such amounts are utilized to determine the availability of cash for purposes of disbursing and borrowing funds.

Other Pooled Cash and Investments

This account represents amounts identified in various agency funds as of June 30, 2018, that were owed to or were more appropriately classified in County operating funds. Accordingly, certain cash balances have been reclassified from the agency funds as required by GASB 34.

Other Investments

This account represents Pension and OPEB Trust Fund investments, various JPAs, NPCs and Public Buildings (bond financed capital assets), and amounts on deposit with the County Treasurer, which are invested separately as provided by the Government Code or by specific instructions from the depositing entity.

Restricted Assets

Enterprise Funds' restricted assets represent cash and investments of certain JPAs and Public Buildings projects restricted in accordance with the provisions of the certificates of participation issued. The Internal Service Funds' restricted assets represent cash and investments restricted for debt service in accordance with the provisions of the LACCAL bond indenture. All of the above noted assets are included in the various disclosures in Note 5. These restricted assets are presented as noncurrent assets and are generally associated with long-term bonds payable and certificates of participation.

Inventories

Inventories, which consist of materials and supplies held for consumption, are valued at cost using the average cost basis. The inventory costs of the governmental funds are accounted for as expenditures when the inventory items are consumed. Reported inventories are categorized as nonspendable fund balance as required by GASB 54 because these amounts are not available for appropriation and expenditure.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Capital Assets

Capital assets, which include land and easements, buildings and improvements, equipment, intangible and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure assets are divided into the five following networks: road; water; sewer; flood control and aviation. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement should be reported at acquisition value rather than fair value. Certain buildings and equipment are being leased under capital leases as defined in GASB 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." The present value of the minimum lease obligation has been capitalized in the statement of net position and is also reflected as a liability in that statement.

Capital outlay is recorded as expenditures in the governmental fund financial statements and as assets in the government-wide financial statements to the extent the County's capitalization threshold is met. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds from tax-exempt debt over the same period. For taxable debt, business-type activities interest is capitalized and not netted with interest earnings.

The County's capitalization thresholds are $5,000 for equipment, $100,000 for buildings and improvements, $1 million for software intangible assets, $100,000 for non-software intangible assets, and $25,000 for infrastructure assets. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities, or extend useful lives are capitalized subject to the threshold in the affected asset category. Upon sale or retirement of capital assets, the cost and the related accumulated depreciation or amortization, as applicable, are removed from the respective accounts and any resulting gain or loss is included in the results of operations. Specific disclosures related to capital assets appear in Note 6. Amortization for software and other intangible assets is included in the reporting of depreciation.

Capital assets are depreciated or amortized using the straight-line method over the following estimated useful lives:

Buildings and Improvements	10 to 50 years
Equipment	2 to 35 years
Software	5 to 25 years
Infrastructure	15 to 100 years

Works of art and historical treasures held for public exhibition, education, or research in furtherance of public service, rather than financial gain, are not capitalized. These items are protected, encumbered, conserved, and preserved by the County. It is the County's policy to utilize proceeds from the sale of these items for the acquisition of other items for collection and display.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deferred Outflows and Inflows of Resources

Pursuant to GASB 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” and GASB 65, “Items Previously Reported as Assets and Liabilities,” the County recognizes deferred outflows of resources and/or deferred inflows of resources in the government-wide statement of net position, governmental funds balance sheets, and proprietary funds statement of net position.

In addition to assets, the financial statements report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time, except for pension and OPEB related deferred inflows of resources, which will be recognized as a credit to expense.

Specific disclosures of items representing deferred outflows and inflows of resources appear in Note 20.

Advances Payable

The County uses certain agency funds as clearing accounts for the distribution of financial resources to other County funds. Pursuant to GASB 34, for external financial reporting purposes, the portions of the clearing account balances that pertain to other County funds should be reported as cash of the appropriate funds. The corresponding liability is included in “Advances Payable” because the amounts represent unearned revenue.

Compensated Absences

Vacation pay benefits accrue to employees ranging from 10 to 25 days per year depending on years of service and the benefit plan. Sick leave benefits accrue at the rate of 10 to 12 days per year for union represented employees depending on years of service. Non-represented employees accrue at a rate of up to 8 days of sick leave per year depending on the benefit plan. Employees can also accumulate unused holiday and compensatory time off benefits throughout the year. All benefits are payable upon termination, if unused, within limits and rates as specified in the County Salary Ordinance.

Liabilities for accrued compensated absences are accrued in the government-wide financial statements and in the proprietary funds. For the governmental funds, expenditures are recorded when amounts become due and payable (i.e., when employees terminate from service).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Net Pension Liability and Related Balances

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the LACERA and additions to/deductions from LACERA's fiduciary net position have been determined on the same basis as they are reported by LACERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Reported results pertain to liability and asset information within the following defined timeframes:

Valuation Date (VD) - June 30, 2016 rolled forward to June 30, 2017
Measurement Date (MD) - June 30, 2017
Measurement Period (MP) - July 1, 2016 to June 30, 2017

Net OPEB Liability and Related Balances - Retiree Healthcare

For purposes of measuring the net OPEB liability related to Retiree Healthcare, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the LACERA and additions to/deductions from LACERA's fiduciary net position have been determined on the same basis as they are reported by LACERA. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Reported results pertain to liability and asset information within the following defined timeframes:

Valuation Date (VD) - June 30, 2016 rolled forward to June 30, 2017
Measurement Date (MD) - June 30, 2017
Measurement Period (MP) - July 1, 2016 to June 30, 2017

Total OPEB Liability and Related Balances - Long-Term Disability

For purposes of measuring the total OPEB liability related to Long-Term Disability (LTD), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined on the same basis as they are reported by the plan. For this purpose, the LTD plan recognizes benefit payments when due and payable in accordance with the benefit terms. Reported results pertain to liability information within the following defined timeframes:

Valuation Date (VD) - June 30, 2017
Measurement Date (MD) - June 30, 2017
Measurement Period (MP) - July 1, 2016 to June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Long-term Debt

In the government-wide and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized in the period issued.

In the governmental funds financial statements, bond premiums, discounts, and issuance costs are recognized in the period issued. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. Interest is reported as an expenditure in the period in which the related payment is made. The matured portion of long-term debt (i.e., portion that has come due for payment) is reported as a liability in the fund financial statements of the related fund.

Fund Balances

In the fund financial statements, the governmental funds report the classification of fund balance in accordance with GASB 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The reported fund balances are categorized as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Specific details related to Fund Balances appear in Note 21.

Nonspendable Fund Balance - amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories and long-term notes receivable.

Restricted Fund Balance - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions may effectively be changed or lifted only by changing the condition of the constraint.

Committed Fund Balance - amounts that can only be used for the specific purposes determined by a formal action of the County's highest level of decision-making authority, the County's Board. Commitments may be changed or lifted only by the County taking the same formal action that imposed the constraint originally. The underlying action that imposed the limitation needs to occur no later than the close of the fiscal year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Balances-Continued

Assigned Fund Balance - amounts intended to be used by the County for specific purposes that are neither restricted nor committed. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose. Authorization to assign fund balance rests with the County's Board through the budget process. The Board has also delegated authority to the Chief Executive Officer and County Department Heads for contracts and purchasing authority.

Unassigned Fund Balance - the residual classification for the County's General Fund that includes amounts not contained in other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Board of Supervisors establishes, modifies, or rescinds fund balance commitments by passage of an ordinance or resolution. For its budget, the County utilizes the GASB 54 criteria and an ordinance or resolution is equally binding, for purposes of establishing a fund balance commitment. This is done through the adoption of the budget and subsequent amendments that occur throughout the fiscal year.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

Cash Flows

For purposes of reporting cash flows, all amounts reported as "Pooled Cash and Investments," "Other Investments," and "Restricted Assets" are considered cash equivalents. Pooled cash and investment amounts represent funds held in the County Treasurer's cash management pool. Other investments and restricted assets are invested in money market mutual funds held by outside trustees. Such amounts are similar in nature to demand deposits (i.e., funds may be deposited and withdrawn at any time without prior notice or penalty).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and deferred outflows of resources, liabilities and deferred inflows of resources, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

2. NEW ACCOUNTING PRONOUNCEMENTS

The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current basic financial statements.

GASB 75	Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions	Improves accounting and financial reporting by state and local governments for postemployment benefits (OPEB) other than pensions and improves the information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. (Notes 2, 9, 11, 20)
GASB 81	Irrevocable Split-Interest Agreements	Improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement did not have an impact on the financial statements.
GASB 85	Omnibus 2017	Addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). This statement did not have a material impact on the financial statements.
GASB 86	Certain Debt Extinguishment Issues	Improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This statement did not have an impact on the financial statements.

2. NEW ACCOUNTING PRONOUNCEMENTS-Continued

Restatement of Net Position

The County and CDC, a discretely presented component unit, implemented GASB 75 during the fiscal year, which resulted in a restatement of net position due to the elimination of the net OPEB obligation and the recognition of net OPEB liability and the related deferred outflows and inflows of resources. In addition, CDC made a restatement of net position due to the recognition of a prior year capital asset disposition. The adjustment to the beginning net position is presented below (in thousands):

	July 1, 2017 as previously reported	Restatement	Net Position July 1, 2017, as restated
Government-Wide:			
Government activities	$ (171,823)	(9,451,237)	$ (9,623,060)
Business-type activities	(965,970)	(1,994,180)	(2,960,150)
Discretely Presented Component Units	898,821	(5,163)	893,658
Proprietary Funds:			
Harbor-UCLA Medical Center	(800,168)	(573,977)	(1,374,145)
Olive-View UCLA Medical Center	(489,772)	(371,735)	(861,507)
LAC+USC Medical Center	(634,504)	(860,002)	(1,494,506)
Rancho Los Amigos National Rehab Center	(30,403)	(188,466)	(218,869)
Nonmajor Internal Service Fund			
Public Works	(694,537)	(429,992)	(1,124,529)
Discretely Presented Component Units:			
CDC	465,495	(5,163)	460,332

3. DEFICIT NET POSITION

The following funds had a net deficit at June 30, 2018 (in thousands):

		Accumulated Deficit
Government-wide:		
Governmental Activities	$	10,649,724
Business-type Activities		2,868,260
Enterprise Funds:		
Harbor-UCLA Medical Center		1,292,516
Olive View-UCLA Medical Center		758,669
LAC+USC Medical Center		1,544,265
Rancho Los Amigos National Rehab Center		255,041
Internal Service Funds:		
Public Works		1,169,454
Equipment Acquisition		1,692

The government-wide governmental and business-type activities, enterprise and internal service funds' Public Works deficits result primarily from the recognition of certain liabilities including accrued compensated absences, net pension liability, net OPEB liability, workers' compensation, self-insurance and, for the enterprise funds, medical malpractice, and third party payors, as required by GAAP. The internal service funds' Equipment Acquisition fund defict is a result of the early payoff of leased assets for which an advances payable was established to be recognized in future years. Deficits are expected to continue until such liabilities are retired through user charges or otherwise funded.

4. ELIMINATIONS

The Regional Park and Open Space District (RPOSD), a blended component unit, is authorized to issue assessment bonds to acquire and improve recreational land and facilities. These bonds are secured by voter-approved property tax assessments. The RPOSD executed a financing agreement with the Public Works Financing Authority, another blended component unit referred to in the basic financial statements as "Various Joint Powers Authorities (JPAs)". Under the terms of the agreement, the RPOSD sold $510,185,000 of bonds in 1997 that were acquired as an investment by the JPAs. The JPAs financed this investment from proceeds of a simultaneous issuance of an equivalent amount of bonds as a public offering. The structure of the publicly offered JPA bonds was designed to match the RPOSD's bonds relative to the principal and interest maturities and interest rates. This series of transactions was conducted to facilitate the issuance of RPOSD related bonds and to minimize the County's overall interest cost. Pursuant to the financing agreement with the JPAs, the RPOSD has pledged all available tax assessments necessary to ensure the timely payment of principal and interest on the bonds issued by the JPAs. The 1997 bonds were partially refunded in FY 2004-2005 and the remaining 1997 bonds were fully refunded in FY 2007-2008. The transactions between the two component units have been accounted for as follows:

4. ELIMINATIONS-Continued

Fund Financial Statements

At June 30, 2018, the governmental funds financial statements reflect an investment asset (referred to as “Other Investments”) held by the JPAs of $26,575,000 that has been recorded in the nonmajor governmental funds. The governmental funds financial statements do not reflect a liability for the related bonds payable ($26,575,000), as this obligation is not currently due. Accordingly, the value of the asset represents restricted fund balance in the nonmajor governmental funds.

In order to reflect the economic substance of the transaction described above, an eliminations column has been established in the governmental funds financial statements. The purpose of the column is to remove the duplication of assets, fund balances, revenues and expenditures that resulted from the consolidation of the two component units into the County’s overall financial reporting structure.

Government-wide Financial Statements

The government-wide financial statements are designed to minimize the duplicative effects of transactions between funds. Accordingly, the effects of the transaction described above have been eliminated from the amounts presented within governmental activities (as appropriate under the accrual basis of accounting). The specific items eliminated were other investments and bonds payable ($26,575,000) and investment income and interest expense ($1,692,000 for each). Accordingly, there are no reconciling differences between the two sets of financial statements (after the effects of eliminations) for this matter.

The bonds payable of $26,575,000, that were publicly issued, are included among the liabilities presented in the Government-wide Financial Statements. Disclosures related to those outstanding bonds appear in Note 11 and are captioned “Assessment Bonds.”

5. CASH AND INVESTMENTS

Investments in the County's cash and investment pool, other cash and investments, and Pension and OPEB Trust Funds investments, are stated at fair value. Aggregate pooled cash and investments and other cash and investments are as follows at June 30, 2018 (in thousands):

5. CASH AND INVESTMENTS-Continued

			Restricted Assets		
	Pooled Cash and Investments	Other Investments	Pooled Cash and Investments	Other Investments	Total
Governmental Funds	$ 8,590,018	53,083			$ 8,643,101
Proprietary Funds	256,890		104,075	759	361,724
Fiduciary Funds (excluding Pension and OPEB)	22,293,685	154,498			22,448,183
Pension and OPEB Trust Funds	94,986	59,356,499			59,451,485
Discretely Presented Component Units	460,755	353,973			814,728
Total	$ 31,696,334	59,918,053	104,075	759	$ 91,719,221

A summary of cash and investments (by type) as of June 30, 2018 is as follows (in thousands):

Cash:	
County	
Imprest Cash	$ 6,359
Cash in Vault	306
Cash in Bank	231,844
Deposits in Transit	10,515
CDC	14,126
Total Cash	263,150
Investments:	
In Treasury Pool	31,551,385
In Specific Purpose Investment (SPI)	158,438
In Other Specific Investments	301
Held by Outside Trustees	49,601
In LACERA	59,356,499
In Discretely Presented Component Unit - CDC	339,847
Total Investments	91,456,071
Total Cash and Investments	$ 91,719,221

Cash and investments are reported as follows:

Governmental Funds	$ 8,643,101
Proprietary Funds	361,724
Investment Trust Funds	20,767,332
Agency Funds	1,680,851
Pension and OPEB Trust Funds (LACERA)	59,451,485
Discretely presented component unit:	
- First 5	382,992
- CDC	431,736
Total Cash and Investments	$ 91,719,221

County Treasurer Cash

As of June 30, 2018, the County Treasurer (Treasurer) maintained accounts in six banks. The carrying amount of the Treasurer's total deposits in financial institutions was $231.84 million, deposits in transit were $10.52 million, and cash in the Treasurer's vault was $0.31 million.

Under California Government Code Section 53652, each financial institution in California is required to pledge a pool of securities as collateral against all of its public deposits. California Government

5. CASH AND INVESTMENTS-Continued

County Treasurer Cash-Continued

Code Section 53651 delineates the types of eligible securities, and the required collateral percentage, generally at 110%. In addition, under California Government Code Section 53653, the Treasurer has discretion to waive security for the portion of any deposits as insured pursuant to federal law. Through contractual agreement, the Treasurer has opted to waive security for the portion of deposits that is federally insured.

The total balance of deposits in financial institutions was covered by federal depository insurance or collateralized with securities monitored by the California Department of Business Oversight (DBO). DBO confirmed that the pools of collateral related to the County Treasurer's deposits were maintained at required levels as of June 30, 2018.

County Investment Pool

California Government Code Sections 53601, 53635 and 53534 authorize the County Treasurer to invest the External Investment Pool (Pool) and Specific Purpose Investments (SPI) funds in obligations of the United States Treasury, federal agencies, State and local agencies, municipalities, asset-backed securities, bankers' acceptances, commercial paper rated A-1 by Standard & Poor's Global Rating Services (S&P) or P-1 by Moody's Investors Service (Moody's), and F-1 by Fitch, negotiable certificates of deposit, medium-term notes, corporate notes, repurchase agreements, reverse repurchase agreements, time deposits, shares of beneficial interest of a Joint Powers Authority that invests in authorized securities, shares of beneficial interest issued by diversified management companies known as money market mutual funds (MMF) registered with the Securities and Exchange Commission (SEC), securities lending agreements, the State of California's Local Agency Investment Fund (LAIF), interest rate swaps, and supranational institutions. California Government Code Section 53534 authorizes the County Treasurer to enter into interest rate swaps agreements. However, these agreements should only be used in conjunction with the sale of the bonds approved by the Board. The investments are managed by the Treasurer, which reports investment activity to the Board on a monthly basis. In addition, Treasurer investment activity is subject to an annual investment policy review, compliance oversight, quarterly financial review, and annual financial reporting. The Treasurer also maintains Other Specific Investments, which are invested pursuant to the California Government Code. The County has not provided nor obtained any legally binding guarantees during the year ended June 30, 2018, to support the value of shares in the Pool.

5. CASH AND INVESTMENTS-Continued

County Investment Pool-Continued

The School Districts and the Superior Court are required by legal provisions to participate in the County's investment pool. Eighty-six percent (86.58%) of the Treasurer's Pool consists of these involuntary participants. Voluntary participants in the County's Pool include the Sanitation Districts, Metropolitan Transportation Authority, the South Coast Air Quality Management District and other special districts with independent governing boards. The deposits held for both involuntary and voluntary entities are included in the Pooled Investment Trust Fund. Certain SPI have been made by the County, as directed by external depositors. This investment activity occurs separately from the County's Pool and is reported in the Specific Investment Trust Fund in the amount of $154,198,000. The Pool is not registered as an investment company with the SEC. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the County Treasurer must follow.

Investments are stated at fair value and are valued on a monthly basis. The Treasurer categorizes its fair value measurements within the fair value hierarchy established by GAAP. Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Securities classified in Level 2 of the fair value hierarchy are valued using other observable inputs such as matrix pricing techniques or based on quoted prices for assets in markets that are not active.

Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Level 3 inputs are significant unobservable inputs. Securities classified in Level 3 are valued using the income approach such as discounted cash flow techniques. Investment in an external government investment pool is not subject to reporting within the level hierarchy.

Investments in LAIF are governed by the California Government Code and overseen by a five member Local Investment Advisory Board as designated by the California Government Code. As of June 30, 2018, the total amount invested by all California local governments and special districts in LAIF was $22.550 billion. LAIF is part of the State of California's Pooled Money Investment Account (PMIA), which as of June 30, 2018 had a balance of $88.820 billion. The PMIA is not SEC registered, but is required to invest according to the California Government Code. Included in the PMIA's investment portfolio are certain derivative securities or similar products in the form of asset-backed securities totaling $2.370 billion at June 30, 2018. Collectively, these represent 2.67% of the PMIA balance of $88.820 billion. The SPI holdings in the LAIF investment pool as of June 30, 2018, were $41.15 million, which were valued using a fair value factor provided by LAIF.

5. CASH AND INVESTMENTS-Continued

County Investment Pool-Continued

The County treasurer has the following recurring fair value measurements as of June 30, 2018 (in thousands):

		Fair Value Measurement Using			
Pool	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	External Government Investment Pools
Commercial Paper	$ 10,003,715	$	$ 10,003,715	$	$
Corporate and Deposit Notes	83,814		83,814		
Los Angeles County Securities	24,460			24,460	
Negotiable Certificates of Deposit	1,949,974		1,949,974		
U.S. Agency Securities	18,157,404		18,157,404		
U.S. Treasury Securities:					
U.S. Treasury Notes	242,641		242,641		
U.S. Treasury Bills	1,089,377		1,089,377		
Total Investments	$ 31,551,385	$	$ 31,526,925	$ 24,460	$
SPI					
Local Agency Investment Fund	$ 41,145	$	$	$	$ 41,145
Los Angeles County Securities	4,241			4,241	
Negotiable Certificates of Deposit	49,801		49,801		
U.S. Agency Securities	63,251		63,251		
Total Investments	$ 158,438	$	$ 113,052	$ 4,241	$ 41,145
Other Specific Investments					
U.S. Treasury Bills	$ 301	$	$ 301	$	$
Total Investments	$ 301	$	$ 301	$	$

5. CASH AND INVESTMENTS-Continued

County Investment Pool-Continued

As permitted by the Government Code, the County Treasurer developed, and the Board adopted, an Investment Policy that further defines and restricts the limits within which the County Treasurer may invest. The table below identifies the investment types that are authorized by the County, along with the related concentration of credit limits:

	Maximum Maturity		Maximum Percentage of Portfolio		Maximum Investment In One Issuer		Minimum Rating	
Authorized Investment Type	**Gov. Code**	**Pool Policy**	**Gov. Code**	**Pool Policy**	**Gov. Code**	**Pool Policy**	**Gov. Code**	**Pool Policy**
U. S. Treasury Notes, Bills and Bonds	5 years	None (1)	None	None	None	None	None	None
U.S. Agency Securities	5 years	None (1)	None	None	None	None	None	None
Local Agency Obligations	5 years	5 years (2)	None	10%*	None	10%*	None	None (2)
Asset-Backed Securities	5 years	5 years	20%	20%	None	$750 million*	AA	AA (3)
Bankers' Acceptances	180 days	180 days	40%	40%	30%	$750 million*	None	A-1/P-1/F1*
Negotiable Certificates of Deposit (4)	5 years	3 years*	30%	30%	None	$750 million*	None	A-1/P-1/F1*
Commercial Paper	270 days	270 days	40%	40%	10%	$1.5 billion*	A-1	A-1/P-1/F1
Corporate and Medium-Term Notes (5)	5 years	3 years*	30%	30%	None	$750 million*	A	A-1/P-1/F1*
LAIF	N/A	N/A	None	$65 million (6)*	None	None	None	None
Money Market Mutual Funds	N/A	N/A	20%	15%*	10%	10%	AAA	AAA
Repurchase Agreements	1 year	30 days*	None	$1 billion*	None	$500 million*	None	None
Reverse Repurchase Agreements	92 days	92 days	20%	$500 million (7)*	None	$250 million*	None	None
Forwards, Futures, and Options	N/A	90 days*	None	$100 million*	None	$50 million*	None	A*
Interest Rate Swaps	N/A	None	None	None	None	None	A	A
Securities Lending Agreements	92 days	92 days	20%	20% (7)	None	None	None	None
Supranationals	5 years	5 years	30%	30%	None	None	AA	AA

1. Pursuant to the California Government Code 53601, the Board granted authority to make investments in U.S. Treasury Notes, Bills and Bonds, and U.S. Agency Securities that have maturities beyond 5 years.
2. Any obligation issued or caused to be issued on behalf of other County affiliates must have a minimum rating of "A3" (Moody's) or "A-" (S&P or Fitch) and the maximum maturity is limited to thirty years. Any short- or medium-term obligation issued by the State of California or a California local agency must have a minimum rating of "MIG-1" or "A2" (Moody's) or "SP-1" or "A" (S&P) and the maximum maturity is limited to 5 years.
3. All Asset-Backed securities must be rated at least "AA" and the issuer's corporate debt rating must be at least "A".
4. Euro Certificates of Deposit are further restricted to a maximum maturity of one year and a maximum percentage of portfolio of 10%.
5. Floating Rate Notes are further restricted to a maximum maturity of five years, maximum of 10% of the portfolio, and maximum investment in one issuer of $750 million. The maximum maturity may be seven years, provided that the Board's authorization to exceed maturities in excess of five years is in effect, of which $100 million par value may be greater than five years to maturity.
6. The maximum percentage of the portfolio is based on the investment limit established by LAIF for each account, not by Pool Policy. Bond proceeds are considered a one-time deposit, have no maximum deposit amount, and are maintained on thirty-day increments.
7. The maximum par value is limited to a combined total of reverse repurchase agreements and securities lending agreements of 20% of the base value of the portfolio.

*Represents restriction in which the County's Investment Policy is more restrictive than the California Government Code.

5. CASH AND INVESTMENTS-Continued

County Investment Pool-Continued

A summary of investments held by the Pool at June 30, 2018 is as follows (dollars in thousands):

Pool	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity In Years
Commercial Paper	$ 10,003,715	$ 10,004,830	1.82% - 2.35%	07/02/18 - 10/03/18	0.06
Corporate and Deposit Notes	83,814	84,242	2.00% - 2.42%	05/15/19 - 11/09/20	1.42
Los Angeles County Securities	24,460	25,000	2.06% - 2.62%	06/30/19 - 06/30/20	1.80
Negotiable Certificates of Deposit	1,949,974	1,950,006	1.86% - 2.74%	07/02/18 - 03/27/20	0.41
U.S. Agency Securities	18,157,404	18,576,530	0.73% - 8.00%	08/20/18 - 05/29/24	2.77
U.S. Treasury Securities:					
U.S. Treasury Notes	242,641	248,742	0.75% - 1.13%	10/31/18 - 09/30/21	2.02
U.S. Treasury Bills	1,089,377	1,090,665	1.26% - 2.24%	09/13/18 - 06/20/19	0.46
Total	$ 31,551,385	$ 31,980,015			1.66

The unrealized loss on investments held in the Pool was $428,630,000 as of June 30, 2018. This amount takes into account all changes in fair value that occurred during the year. The method used to apportion the unrealized loss was based on a prorata share of each funds' cash balance as of June 30, 2018 relative to the County Pool balances. A separate financial report is issued for the Pool for the year ended June 30, 2018.

Specific Purpose Investments and Other Specific Investments

A summary of investments held by the SPI and Other Specific Investments at June 30, 2018 is as follows (dollars in thousands):

SPI	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity In Years
Local Agency Investment Fund	$ 41,145	$ 41,222			0.53
Los Angeles County Securities	4,241	4,045	5.00%	12/02/27	9.43
Negotiable Certificates of Deposit	49,801	50,000	1.77% - 2.05%	12/28/18 - 06/24/19	0.74
U.S. Agency Securities	63,251	67,669	1.5% - 3.27%	07/27/21 - 12/26/41	14.63
Total	$ 158,438	$ 162,936			6.71

5. CASH AND INVESTMENTS-Continued

Specific Purpose Investments and Other Specific Investments-Continued

Other Specific Investments	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity In Years
U.S. Treasury Bills	$ 301	$ 301	2.03%	11/29/18	0.42

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County's Investment Policy limits most investment maturities to less than five years, with the exception of U.S. Treasury Notes, Bills, and Bonds and U.S. Agency Securities, which may have maturities beyond five years. The County Treasurer manages the Pool and mitigates exposure to declines in fair value by generally investing in short-term investments with maturities of six months or less and by holding all investments to maturity.

The Treasurer manages the Pool's exposure to declines in fair value by limiting its weighted average maturity target to a range between 1.0 and 2.0 years, in accordance with the Investment Policy. For purposes of computing weighted average maturity, the maturity date of variable-rate notes is the stated maturity.

The balance of the Pool's investments at June 30, 2018 is $31.551 billion, of which 45.00% will mature in six months or less. Of the remainder, 46.93% have a maturity of more than one year. At June 30, 2018, the weighted average maturity in years for the Pool was 1.66.

The California Government Code and the Investment Policy allow the Treasurer to purchase floating rate notes, that is, any instruments that have a coupon interest rate that is adjusted periodically due to changes in a base or benchmark rate. The Investment Policy limits the amount invested in floating rate notes to 10% of the Pool portfolio. The Investment Policy prohibits the purchase of inverse floating rate notes and hybrid or complex structured investments and for the year ended June 30, 2018, there were none.

At June 30, 2018, the Pool contained floating rate notes at fair value of $164.74 million (0.52% of the Pool.) The notes are tied to one-month and three-month London Interbank Offered Rate (LIBOR) with monthly and quarterly coupon resets. The fair value of variable securities is generally less susceptible to changes in value than fixed rate securities because the variable-rate coupon resets back to the market rate on a periodic basis. There were no variable rate notes in the SPI and Other Specific Investments.

Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. County management believes the liquidity in the portfolios is adequate to meet cash flow requirements and to preclude the County from having to sell investments below original cost for that purpose.

5. CASH AND INVESTMENTS-Continued

Custodial Credit Risk

Custodial credit risk for investments is the risk that the Treasurer will not be able to recover the value of investment securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Treasurer and are held by either the counterparty, or the counterparty's trust department or agent but not in the Treasurer's name. At year-end, all Pool, SPI and Other Specific Investment securities, except for the Rancho Palos Verdes Redevelopment Agency Tax Allocation Bond (Bond), Bond Anticipation Notes (BANs) and LAIF, were either held by the Treasurer or by the custodian bank in the name of the Treasurer. The Bond and the BANs were held in the Treasurer's vault and are recorded in the Los Angeles County Securities line item. The LAIF investments were managed by the State of California and the County is considered a pool participant.

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer, or other counterparty to an investment, will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The County mitigates these risks by holding a diversified portfolio of high quality investments.

The Investment Policy establishes acceptable credit ratings for investments from any two Nationally Recognized Statistical Rating Organizations (NRSRO). For an issuer of short-term debt, the rating must be no less than A-1 (S&P) or P-1 (Moody's), and F-1 (Fitch) while an issuer of long-term debt shall be rated no less than an "A." All investments purchased during the year ended June 30, 2018 met the credit rating criteria in the Investment Policy, at the issuer level. However, while the NRSROs did rate the issuer of the investments purchased, the NRSRO did not, in all instances, rate the investment itself (e.g., commercial paper, bankers' acceptances, corporate and deposit notes, negotiable certificates of deposit, and U.S. Treasury bills, bonds and notes). Accordingly, for purposes of reporting the credit quality distribution of investments, some investments are reported as not rated.

The Investment Policy also permits investments in LAIF, pursuant to California Government Code Section 16429.1. At June 30, 2018, a portion of the SPI was invested in LAIF, which is unrated as to credit quality.

The Pool and SPI had the following U.S. Agency and commercial paper securities in a single issuer that represent 5% or more of total investments at June 30, 2018 (dollars in thousands):

5. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk-Continued

Issuer	Pool		SPI	
	Fair Value	% of Portfolio	Fair Value	% of Portfolio
Federal Home Loan Bank	$ 4,897,552	15.52%	$ 34,066	21.50%
Federal Home Loan Mortgage Corporation	4,892,743	15.51%		
Federal Farm Credit Bank	4,791,949	15.19%	21,849	13.79%
Federal National Mortgage Association	3,550,340	11.25%		
Wells Fargo Bank, NA CD			24,950	15.75%
Rabobank Nederland NY CD			24,851	15.69%

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each portfolio's fair value at June 30, 2018:

Pool	S&P	Moody's	Fitch	% of Portfolio
Commercial Paper	Not Rated	P-1	Not Rated	28.44%
	Not Rated	Not Rated	Not Rated	3.26%
Corporate and Deposit Notes	AA-	Aa3	AA-	0.06%
	AA-	A1	AA-	0.08%
	AA-	Aa3	Not Rated	0.12%
Los Angeles County Securities	Not Rated	Not Rated	Not Rated	0.08%
Negotiable Certificates of Deposits	AA-	Aa3	Not Rated	0.32%
	Not Rated	P-1	Not Rated	2.69%
	Not Rated	Not Rated	Not Rated	3.17%
U.S. Agency Securities	AA+	Aaa	AAA	39.83%
	AA+	Aaa	F1+	0.07%
	AA+	Aaa	Not Rated	15.71%
	AA+	Not Rated	AAA	1.30%
	Not Rated	Aaa	AAA	0.23%
	AA+	WR	Not Rated	0.08%
	Not Rated	Not Rated	AAA	0.34%
U.S. Treasury Securities:				
U.S. Treasury Notes	Not Rated	Aaa	AAA	0.77%
U.S. Treasury Bills	Not Rated	Not Rated	F1+	3.45%
				100.00%
SPI				
Local Agency Investment Fund	Not Rated	Not Rated	Not Rated	25.97%
Los Angeles County Securities	Not Rated	Not Rated	Not Rated	2.68%
Negotiable Certificates of Deposits	Not Rated	P-1	Not Rated	15.68%
	Not Rated	Not Rated	Not Rated	15.75%
U.S Agency Securities	AA+	Aaa	AAA	18.42%
	AA+	Aaa	Not Rated	21.50%
				100.00%
Other Specific Investments				
U.S. Treasury Bills	Not Rated	Not Rated	F1+	100.00%
				100.00%

5. CASH AND INVESTMENTS-Continued

Reverse Repurchase Agreements

The California Government Code permits the County Treasurer to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The fair value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the broker-dealer a margin against a decline in the fair value of the securities. If the broker-dealer defaults on the obligation to resell these securities to the County or provide securities or cash of equal value, the County would suffer an economic loss equal to the difference between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest.

The County's investment guidelines limit the maximum par value of reverse repurchase agreements to $500,000,000 and proceeds from reverse repurchase agreements may only be reinvested in instruments with maturities at or before the maturity of the reverse repurchase agreement. During the fiscal year, the County did not enter into any reverse repurchase agreements.

Securities Lending Transactions

For the year ended June 30, 2018, the Los Angeles County Pool did not enter into any securities lending transactions.

Cash and Investments - Held by Outside Trustees

NPC and JPAs have been established for the purpose of rendering assistance to the County to refinance, acquire, construct, improve, lease and sell properties and equipment, including the construction of buildings, and purchase of equipment, land, and any other real or personal property, for the benefit of County residents, through the issuance of bonds, certificates of participation notes (COPs) and commercial paper.

The NPC and JPAs' cash is invested with the outside trustees. Investment practices are governed by the County's Investment Procedures and Guidelines, established pursuant to the California Government Code and the Los Angeles County Board of Supervisors' action.

Investments are stated at fair value. There were no deposits held by outside trustees as of June 30, 2018. A total of $114.30 million of investments held by outside trustees are invested in the County's investment pool. In addition, the outside trustees invested $49.60 million outside of the County's investment pool.

5. CASH AND INVESTMENTS-Continued

Cash and Investments - Held by Outside Trustees-Continued

The following is a summary of deposits and investments held by outside trustees as of June 30, 2018 (dollars in thousands):

	Amortized Cost	Principal	Interest Rate % Range	Maturity Range	Weighted Average Maturity (Years)
Money market mutual funds	$49,601	$49,601	0.25% - 2.56%	07/01/18	0.00

The following is a summary of the credit quality distribution and concentration of credit risk as of June 30, 2018:

Other Investments	S&P	Moody's	Fitch	% of Portfolio
Money Market Mutual Funds	Not Rated	Not Rated	Not Rated	100.00%

LACERA Investment Portfolio

Narratives and tables presented for the Pension and OPEB Trust funds managed by the LACERA are taken directly from LACERA's Report on Audited Financial Statements for the year ended June 30, 2018 (certain terms have been modified to conform with the County's CAFR presentation). The custodial credit risk, credit risk, concentration of credit risk, interest rate risk, and foreign currency risk related to Pension and OPEB Trust Funds investments are different than the corresponding risk on investments held by the County Treasurer. Detailed deposit and investment risk disclosures are included in Note G, Note I and the fair value measurement disclosures are included in Note P of the LACERA's audited financial statements.

Deposits-Custodial Credit Risk

Pension and OPEB Trust Funds investments are reported at fair value at June 30, 2018, (in thousands) and are as follows:

	Fair Value
Cash collateral on loaned securities	$ 1,191,235
Short-term investments	1,795,345
Domestic and international equity	26,117,827
Fixed income	16,307,549
Real estate*	6,423,319
Private equity	5,929,098
Hedge funds	1,592,126
Total	$ 59,356,499

* Refer to Note J of LACERA's Report on Audited Financial Statements for year ended June 30, 2018, for additional discussion on special purpose entities.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Deposits-Custodial Credit Risk-Continued

The Pension and OPEB Trust Funds also had deposits with the Los Angeles County Pool at June 30, 2018 totaling $94,986,000. The Pension and OPEB Trust Funds portfolio contained no concentration of investments in any one organization (other than those issued or guaranteed by the U.S. Government) that represents 5% or more of total investments or plan net position.

Deposit and Investment Risks

The County Employees Retirement Law of 1937 (CERL) vests the Board of Investments (BOI) with exclusive control over LACERA's investment portfolio. The BOI established an Investment Policy Statement. BOI members exercise authority and control over the management of LACERA's Net Position Restricted for Benefits by setting policy that the investment staff executes either internally or through the use of prudent external experts.

The Investment Policy Statement encompasses the following:

- U.S. Equity Investment Policy
- Non-U.S. Equity Investment Policy
- Private Equity Investment Policy
- Fixed Income Investment Policy
- Cash and Cash Equivalents Investment Policy
- Real Estate Investment Policy
- Commodities Investment Policy
- Corporate Governance Policy and Principles
- Derivatives Investment Policy
- Emerging Manager Policy
- Manager Monitoring and Review Policy
- Securities Lending Policy
- Placement Agent Policy
- Hedge Fund Policy

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations, causing the investment to decline in value. LACERA seeks to maintain a diversified portfolio of fixed income instruments in order to obtain the highest total return for the Pension and OPEB plans at an acceptable level of risk within this asset class. To control credit risk, credit quality guidelines have been established.

The majority of the Core, Core Plus, and High Yield portfolios use the following guidelines in terms of credit quality.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Domestic Fixed Income Core and Core Plus Portfolios

A minimum of 80 percent and 70 percent of Core and Core Plus portfolios, respectively, must be invested in securities rated investment-grade by the major credit rating agencies: Moody's Investors Service (Moody's), Standard & Poor's (S&P), and Fitch Ratings (Fitch).

In addition:

- Money market instruments must be rated at least A-2/P-2 or equivalent by at least one major credit rating agency.
- All rated securities, including Rule 144A securities, must be rated at least B- by S&P or equivalent by at least one major credit rating agency at the time of purchase.
- Unrated issues may be purchased provided, in the judgment of the Investment Manager, they would not violate LACERA's minimum credit quality criteria.
- Unrated issues and securities rated BBB+, BBB, or BBB- by S&P or equivalent, in combination, may represent up to 30 percent of the portfolio.

Domestic High-Yield Fixed Income Portfolios

By definition, high-yield bonds are securities rated below investment grade. Therefore, the majority of bonds in the high-yield portfolios are rated below investment grade by at least one of the major credit rating agencies: Moody's, S&P, and Fitch.

In addition:

- Money market instruments must be rated at least A-2/P-2 or equivalent by at least one major credit rating agency.
- At least 95 percent of all rated securities, including Rule 144A securities, must be rated at least B- by S&P or equivalent by at least one major credit rating agency at the time of purchase.
- Consistent with the preceding requirement, a maximum of 5 percent of the portfolio may be invested in issues rated below B- by S&P or equivalent; however, these issues must be rated at least CCC by S&P or Caa by Moody's.
- Unrated issues may be purchased provided, in the judgment of the Investment Manager, they would not violate LACERA's minimum credit criteria.

LACERA's Opportunistic Credit portfolios allow for the assumption of more credit risk than other fixed income portfolios, by investing in securities which include unrated bonds, bonds rated below investment grade issued by corporations undergoing financial stress or distress, junior tranches of structured securities backed by residential and commercial mortgages, and bank loans. LACERA utilizes specific investment guidelines for these portfolios that limit maximum exposure by issuer, industry, and sector, which result in well-diversified portfolios.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Domestic High-Yield Fixed Income Portfolios-Continued

The following is a schedule as of June 30, 2018 of the credit quality ratings by Moody's, a nationally recognized statistical rating organization, of investments in fixed income securities. Whole loan mortgages included in the Pension Plan portfolio of $33 million are excluded from this presentation.

Credit Quality Ratings of Investments in Fixed Income Securities - Pension Plan
As of June 30, 2018
(dollars in thousands)

Quality Ratings	U.S. Treasuries	U.S. Govt. Agencies	Municipals	Corporate Debt/Credit Securities	Pooled Funds	Non U.S. Fixed Income	Private Placement Fixed Income	Total	Percentage of Portfolio
Aaa	$ 1,708,192	$ 1,837,787	$ 10,219	$ 604,685	$	$ 22,367	$ 318,025	$ 4,501,275	28%
Aa			24,870	328,302	318,126	3,984	89,899	765,181	5%
A			8,548	785,183		42,360	312,151	1,148,242	7%
Baa		2,629	22,215	1,340,291	39,344	3,496	384,078	1,792,053	11%
Ba				555,357		22,016	228,823	806,196	5%
Bbb				13,752		374	22,990	37,116	0%
Bb				14,231			26,626	40,857	0%
B			90	642,681	30,624	30,367	416,897	1,120,659	7%
Caa				235,942		6,787	104,431	347,160	2%
Ca				37,970			845	38,815	0%
Ccc				4,527			504	5,031	0%
Cc				1,999				1,999	0%
C			1,272	156			195	1,623	0%
D				187			1,039	1,226	0%
NR		1,743	7,144	205,137	4,913,260	5,843	161,177	5,294,304	33%
Total Investment in Fixed Income Securities - Pension Plan	$ 1,708,192	$ 1,842,159	$ 74,358	$ 4,770,400	$ 5,301,354	$ 137,594	$ 2,067,680	$ 15,901,737	100%

Credit Quality Ratings of Investments in Fixed Income Securities - OPEB Trust
As of June 30, 2018
(dollars in thousands)

Quality Ratings	U.S. Treasuries	Corporate Debt/ Credit Securities	Pooled Investments	Total	Percentage of Portfolio
Aaa	$ 991	$ 983	$	$ 1,974	1%
Aa		1,563		1,563	0%
A		6,827		6,827	2%
NR		444	362,154	362,598	97%
Total Investment in Fixed Income Securities - OPEB Trust	$ 991	$ 9,817	$ 362,154	$ 372,962	100%

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Custodial Credit Risk

LACERA's contract with its primary custodian State Street Bank and Trust (Bank) provides that the Bank may hold LACERA's securities registered in the Bank's or its agent's nominee name, in bearer form, book-entry form, with a clearing house corporation, or with a depository, so long as the Bank's records clearly indicate that the securities are held in custody for LACERA's account. The Bank may also hold securities in custody in LACERA's name when required by LACERA. When held in custody by the Bank, the securities are not at risk of loss in the event of the Bank's financial failure, because the securities are not property (assets) of the Bank. Cash invested overnight in the Bank's depository accounts is subject to the risk that in the event of the Bank's failure, LACERA might not recover all or some of its deposits. This risk is mitigated when the overnight deposits are insured or collateralized.

LACERA's policy as incorporated in its current contract with the Bank requires the Bank to certify it has taken all steps to assure all LACERA monies on deposit with the Bank are eligible for and covered by "pass-through insurance," in accordance with applicable law and FDIC rules and regulations. The steps taken by the Bank include paying deposit insurance premiums when due, maintaining a "prompt corrective action" capital category of "well capitalized," and identifying on the Bank's records that it acts as a fiduciary for LACERA with respect to the monies on deposit. In addition, the Bank is required to provide evidence of insurance and to maintain a Financial Institution Bond, which would cover the loss of money and securities with respect to any and all property the Bank or its agents hold in or for LACERA's account, up to the amount of the bond. To implement certain investment strategies, some of LACERA's assets are invested in investment managers' pooled vehicles. The securities in these vehicles may be held by a different custodian other than State Street Bank and Trust.

Counterparty Risk

Counterparty risk for investments is the risk that, in the event of the failure of the counterparty to complete a transaction, LACERA would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. LACERA and its managers seek to minimize risk of loss from its counterparties by diversifying the number of counterparties, periodically reviewing their credit quality and seeking to structure agreements so that collateral is posted on accrued gains if they reach certain size thresholds.

Concentration of Credit Risk

No more than 5 percent of the Core, Core Plus, or High-Yield portfolios may be invested in securities of a single issuer, except: U.S. Treasury securities, government-guaranteed debt (including G-7 countries), agency debt, agency mortgage-backed securities, and approved commingled funds.

As of June 30, 2018, LACERA did not hold any investments in any one issuer that would represent 5 percent or more of the Pension Plan Fiduciary Net Position nor the OPEB Trust Fiduciary Net Position. Investments issued or explicitly guaranteed by the U.S. government and pooled investments are excluded from this requirement.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Interest Rate Risk

Interest rate risk is the risk that the changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates.

To manage interest rate risk, the modified adjusted duration of the Domestic Fixed Income Core, Core Plus, and High-Yield portfolios is restricted to +/- 25.0 percent of the duration of the portfolios' respective benchmarks. Deviations from any of the stated guidelines require prior written authorization from LACERA.

The Duration in Fixed Income Securities - Pension Plan schedule for the year ended June 30, 2018 presents the duration by investment type. Whole loan mortgages included in the Pension Plan portfolio of $33 million are excluded from this presentation.

Duration in Fixed Income Securities - Pension Plan
As of June 30, 2018
(dollars in thousands)

Investment Type		Fair Value	Portfolio Weighted Average Effective Duration*
U.S. Treasury, U.S. Government Agency and Municipal Instruments:			
U.S. Treasury	$	1,708,192	7.18
U.S. Government Agency		1,842,159	0.19
Municipal / Revenue Bonds		74,358	9.06
Subtotal U.S. Treasury, U.S. Government Agency and Municipal Instruments		3,624,709	
Corporate Bonds and Credit Securities:			
Asset-Backed Securities		416,958	0.73
Commercial Mortgage-Backed Securities		261,819	2.89
Corporate and Other Credit		4,083,686	0.46
Fixed Income Swaps and Options		7,936	N/A
Pooled Funds		5,301,355	N/A
Subtotal Corporate Bonds and Credit Securities		10,071,754	
Non-U.S. Fixed Income		137,594	3.65
Private Placement Fixed Income		2,067,680	3.47
Subtotal Non-U.S. and Private Placement Securities		2,205,274	
Total Fixed Income Securities - Pension Plan	$	15,901,737	

*Effective Duration is a measure of a bond's sensitivity to interest rates. It is calculated as the percentage change in a bond's price caused by a change in the bond's yield. For example, a modified duration of 5 indicates that a 1 percent increase in a bond's yield will cause the bond price to decline 5 percent.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Interest Rate Risk-Continued

Duration in Fixed Income Securities - OPEB Trust
As of June 30, 2018
(dollars in thousands)

Investment Type		Fair Value	Portfolio Weighted Average Effective Duration*
U.S. Treasury Instruments:			
U.S. Treasury	$	991	0.55
Subtotal U.S. Treasury Instruments		991	
Corporate Bonds and Credit Securities:			
Asset-Backed Securities		1,427	0.24
Corporate and Other Credit		8,390	3.16
Pooled Investments		362,154	N/A
Subtotal Corporate Bonds and Credit Securities		371,971	
Total Fixed Income Securities - OPEB Trust	$	372,962	

*Effective Duration is a measure of a bond's sensitivity to interest rates. It is calculated as the percentage change in a bond's price caused by a change in the bond's yield. For example, a modified duration of 5 indicates that a 1 percent increase in a bond's yield will cause the bond price to decline 5 percent.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. LACERA's authorized managers are permitted to invest in approved countries or regions, as stated in their respective investment guidelines. To mitigate foreign currency risk, LACERA has implemented a passive currency hedging program, which hedges into U.S. dollars approximately 50 percent of LACERA's foreign currency exposure for developed market equities.

The following schedule represents LACERA's exposure to foreign currency risk in U.S. dollars. LACERA is invested in several non-U.S. commingled funds. This means LACERA owns units of commingled funds, and the fund holds the actual securities and/or currencies. The values shown include LACERA's pro rata portion of non-U.S. commingled fund holdings.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Non-U.S. Investment Securities at Fair Value - Pension Plan
As of June 30, 2018
(in thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Estate Commingled Funds	Private Equity Investments	Forward Contracts	Total
AFRICA							
Ghana New Cedi	$ 2,402	$	$	$	$	$	$ 2,402
Kenyan Shilling	3,586						3,586
Moroccan Dirham	3,390						3,390
Nigerian Naira	16,818						16,818
South African Rand	206,894		153				207,047
AMERICAS							
Argentine Peso	1,721	2,136	428			26	4,311
Brazilian Real	173,126	(34)	81				173,173
Canadian Dollar	839,897	555	(111)			10,729	851,070
Chilean Peso	30,462						30,462
Colombian Peso	13,625		1				13,626
Mexican Peso	94,675	39,999	2,419			55	137,148
Peruvian New Sol	12,401						12,401
Uruguayan Peso		3,406					3,406
ASIA							
Australian Dollar	567,221	3,714	4,015			11,930	586,880
Chinese Renminbi	122,583						122,583
Hong Kong Dollar	1,016,518		2,952			219	1,019,689
Indian Rupee	315,667						315,667
Indonesian Rupiah	52,087		20				52,107
Japanese Yen	2,046,373	423	16,857			37,477	2,101,130
Malaysian Ringgit	58,547		296				58,843
New Taiwan Dollar	272,839						272,839
New Zealand Dollar	18,189	227	56			609	19,081
Pakistan Rupee	1,851						1,851
Philippine Peso	21,580		1				21,581
Singapore Dollar	176,918		3,783			2,380	183,081
South Korean Won	502,754		515				503,269
Thai Baht	85,664		9				85,673
Vietnamese Dong	32,888						32,888
EUROPE							
British Pound Sterling	1,671,247	13,646	2,260	1,899	25,792	45,412	1,760,256
Czech Republic Koruna	2,213						2,213
Danish Krone	148,938	22,140				4,866	175,944
Euro	2,765,040	47,163	6,485	191,811	278,346	35,273	3,324,118
Hungarian Forint	11,197						11,197
Norwegian Krone	85,919		5			1,584	87,508
Polish Zloty	25,529		233				25,762
Romanian New Leu	8,686						8,686
Russian Ruble	83,826	5,578	42				89,446
Swedish Krona	281,171		30			10,158	291,359
Swiss Franc	641,643					8,361	650,004
MIDDLE EAST							
Egyptian Pound	7,509						7,509
Israeli New Shekel	59,323					828	60,151
Lebanese Pound	1,124						1,124
Qatari Rial	12,422		31				12,453
Saudi Riyal	4,058						4,058
Turkish Lira	59,738		248				59,986
UAE Dirham	11,966						11,966
Total Investment Securities Subject to Foreign Currency Risk - Pension Plan	$ 12,572,225	$ 138,953	$ 40,809	$ 193,710	$ 304,138	$ 169,907	$ 13,419,742

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Non-U.S. Investment Securities at Fair Value - OPEB Trust
As of June 30, 2018
(in thousands)

Currency	Equity
AFRICA	
South African Rand	$ 3,334
AMERICAS	
Brazilian Real	2,969
Canadian Dollar	14,114
Chilean Peso	594
Colombian Peso	228
Mexican Peso	1,553
Peruvian New Sol	183
ASIA	
Australian Dollar	10,095
Chinese Renminbi	15,941
Hong Kong Dollar	4,933
Indian Rupee	4,887
Indonesian Rupiah	1,005
Japanese Yen	36,587
Malaysian Ringgit	1,279
New Taiwan Dollar	6,532
New Zealand Dollar	457
Pakistan Rupee	91
Philippine Peso	503
Singapore Dollar	1,918
South Korean Won	7,856
Thai Baht	1,188
EUROPE	
British Pound Sterling	26,355
Czech Republic Koruna	91
Danish Krone	2,512
Euro	45,905
Hungarian Forint	137
Norwegian Krone	1,325
Polish Zloty	594
Russian Ruble	1,690
Swedish Krona	4,339
Swiss Franc	10,551
MIDDLE EAST	
Egyptian Pound	137
Israeli New Shekel	1,051
Qatari Rial	411
Turkish Lira	411
UAE Dirham	320
Total Investment Securities Subject to Foreign Currency Risk - OPEB Trust	$ 212,076

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Securities Lending Program

The Board of Investments' policies authorize LACERA to participate in a securities lending program. Securities lending is an investment management activity that mirrors the fundamentals of a loan transaction. Securities are lent to brokers and dealers (borrower), and in turn, LACERA receives cash and non-cash as collateral. LACERA pays the borrower interest on the collateral received and invests the collateral with the goal of earning a higher yield than the interest rate paid to the borrower.

LACERA's securities lending program is managed by two parties: LACERA's custodian bank, State Street Bank and Trust, and a third-party lending agent, Goldman Sachs Agency Lending (GSAL). State Street Bank and Trust lends LACERA's non-U.S. equities, U.S. Treasury, and U.S. Agency securities. GSAL lends LACERA's U.S. equities and corporate bonds. Collateralization is set on non-U.S. loans at 105 percent and on U.S. loans at 102 percent of the market value of securities on loan.

State Street Global Advisors invests the collateral received from both lending programs. The collateral is invested in short-term highly liquid instruments. The maturities of the investments made with cash collateral typically do not match the maturities of their securities loans. Loans are marked-to-market daily, so that if the market value of a security on loan rises, LACERA receives additional collateral. Conversely, if the market value of a security on loan declines, then the borrower receives a partial return of the collateral. Earnings generated in excess of the interest paid to the borrowers represent net income. LACERA shares this net income with the two lending agents based on contractual agreements.

Under the terms of their lending agreements, both lending agents provide borrower default indemnification in the event a borrower does not return securities on loan. The terms of the lending agreements entitle LACERA to terminate all loans upon the occurrence of default and purchase a like amount of "replacement securities" when loaned securities are not returned. LACERA does not have the ability to pledge assets received as collateral without a borrower default. In the event the purchase price of replacement securities exceeds the amount of collateral, the lending agent is liable to LACERA for the difference, plus interest. Either LACERA or the borrower of the security can terminate a loan on demand.

At fiscal year-end, LACERA had no credit risk exposure to borrowers, because the amount of collateral received exceeded the value of securities on loan. As of June 30, 2018, there were no known violations of legal or contractual provisions. LACERA had no losses on securities lending transactions resulting from the default of a borrower for the year ended June 30, 2018.

As of June 30, 2018, the fair value of securities on loan was $1.552 billion, with a value of cash collateral received of $1.191 billion, which is included in Other payables on the financial statements, and non-cash collateral of $425.62 million. LACERA's income, net of expenses from securities lending, was $5.68 million for the year ended June 30, 2018.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Securities Lending Program-Continued

Securities Lending
As of June 30, 2018
(in thousands)

Securities on Loan	Fair Value of Securities on Loan	Cash Collateral Received	Non-Cash Collateral Received
U.S. Equities	$ 255,378	$ 262,055	$
U.S. Fixed Income	1,230,315	913,980	369,603
Non-U.S. Equities	66,789	15,200	56,016
Total	$ 1,552,482	$ 1,191,235	$ 425,619

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate swaps are an example of an investment that has a fair value that is highly sensitive to interest rate changes. These investments are disclosed in the following table:

Interest Rate Risk Analysis
As of June 30, 2018
(dollars in thousands)

				Investment Maturities (in years)				
Investment Type	Notional Value (Dollar)	Notional Shares Units	Fair Value	Less Than 1	1 - 5	6 - 10	More than 10	No Maturity
Credit Default Swaps Bought	$ 132,245		$ (8,310)	$	$ (8,310)	$	$	$
Credit Default Swaps Written	41,146		1,018	(1)	989	28	2	
Fixed Income Futures Long		1,421,312						
Fixed Income Futures Short		(528,379)						
Fixed Income Options Bought		539,280	4,326	1,354	2,972			
Fixed Income Options Written		(451,027)	(5,136)	(1,472)	(3,654)		(10)	
Pay Fixed Interest Rate Swaps	900,285		20,169		7,044	9,209	3,916	
Receive Fixed Interest Rate Swaps	204,058		(2,523)		(2,430)	(81)	(12)	
Total Return Swaps Bond	64,670		519	519				
Total Return Swaps Equity	(519,127)		(1,671)	(1,796)	125			
Total	$ 823,277	981,186	$ 8,392	$ (1,396)	$ (3,264)	$ 9,156	$ 3,896	$

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Hedge Funds

The hedge fund category of investments is not a separate asset class but is comprised of strategies that may: 1) invest in securities within LACERA's existing asset classes or across multiple asset classes; 2) have an absolute return objective; and 3) include the ability to use specialized techniques, such as leverage and short-selling, and instruments such as derivatives.

LACERA employs two hedge fund of funds managers, Grosvenor Capital Management (GCM) and Goldman Sachs Asset Management (GSAM), with specialized knowledge and expertise to construct four hedge fund portfolios. The hedge fund of fund managers identify, select, implement, and monitor these investment strategies in the portfolios consistent with LACERA's stated objectives, constraints, and Investment Policy Statements.

In September 2011, LACERA began investing in hedge funds with a goal of reducing the volatility of the Pension Trust Fund without materially decreasing Pension Trust Fund returns. This initial investment consisted of a portfolio of hedge funds invested in a diversified strategy managed by GCM.

In December 2012, LACERA began investing in a second portfolio of hedge funds focused on opportunistic credit strategies, also managed by GCM.

In April 2015, LACERA began investing in a third portfolio, managed in a diversified strategy by GSAM. Within this portfolio, LACERA directly invests in underlying fund vehicles, while GSAM maintains discretion over fund selection and overall portfolio development.

In January 2016, LACERA began investing in a fourth portfolio, also focused on opportunistic credit strategies and managed by GCM.

In March 2018, LACERA began investing in a fifth portfolio. This portfolio is identified as the Direct Portfolio because LACERA invests directly in funds that have been approved by LACERA's Board of Investments rather than delegating manager selection to a fund of funds manager.

The three hedge fund portfolios managed by GCM are each structured as a limited partnership in which LACERA is the sole limited partner, and each was created to hold the interests in the underlying hedge funds. GCM serves as General Partner and owns a 0.01 percent stake in each partnership.

Each underlying fund investment in the entire hedge fund program is in an entity legally structured to limit liability for each investor to the capital invested by that investor.

The investment performance for this strategy is measured separately from other asset classes. The fair value of assets invested in hedge funds as of June 30, 2018 was $1.59 billion.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Fair Value

For the year ended June 30, 2016, LACERA adopted GASB 72, Fair Value Measurement and Application. GASB 72 was issued to address accounting and financial reporting issues related to fair value measurements and disclosures. LACERA categorizes its fair value measurements within the fair value hierarchy established by Generally Accepted Accounting Principles in the United States of America (GAAP). The hierarchy is based on the valuation inputs used to measure the fair value of the securities and assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Certain investments held by LACERA are valued at net asset value (NAV) per share when an investment does not have a readily determined fair value, provided that the NAV is calculated and used as a practical expedient to estimate fair value in accordance with the requirements of GAAP.

Equity and Fixed Income Securities

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets issued by pricing vendors for these securities. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using prices determined by matrix pricing techniques maintained by the various pricing vendors for these securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Debt and equity securities classified in Level 3 are securities whose stated market price is unobservable by the marketplace; many of these securities are priced by the issuers or industry groups for these securities. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by LACERA's custodian bank.

Hedge Funds, Private Equity, and Real Estate Funds

Investments in hedge funds, private equity, and real estate funds are valued at estimated fair value, as determined in good faith by the General Partner (GP) in accordance with fair value principles in accordance with GAAP. These investments are initially valued at cost with subsequent adjustments that reflect third party transactions, financial operating results, and other factors deemed relevant by the GP. These assets are reported by LACERA based on the practical expedient allowed under GAAP.

Real Estate Investments

Investments in real estate are valued at estimated fair value, as determined in good faith by the Investment Manager. These investments are initially valued at cost with subsequent adjustments that reflect third party transactions, financial operating results, and other factors deemed relevant by the Investment Manager. Properties are subject to independent third party appraisals every three years.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Fair Value-Continued

Investments and Derivatives Measured at Fair Value - Pension Plan
As of June 30, 2018
(in thousands)

Investments by Fair Value Level	Total	Quoted Prices In Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
Asset-Backed Securities	$ 416,958	$	$ 416,958	$
Commercial Mortgage-Backed Securities	261,819		261,819	
Corporate and Other Credit	4,083,686		4,078,272	5,414
Municipal/Revenue Bonds	74,358		74,358	
Non-U.S. Fixed Income	137,594		137,594	
Private Placement Fixed Income	2,067,680	1,104	2,062,720	3,856
U.S. Government Agency	1,842,159		1,841,828	331
U.S. Treasury	1,708,192		1,708,192	
Whole Loan Mortgages	32,850			32,850
Total Fixed Income Securities	10,625,296	1,104	10,581,741	42,451
Equity Securities				
Non-U.S. Equity	2,074,878	2,074,457		421
Pooled Investments	295,080	295,080		
U.S. Equity	13,130,228	13,122,685	3,865	3,678
Total Equity Securities	15,500,186	15,492,222	3,865	4,099
Real Estate	5,498,415			5,498,415
Collateral from Securities Lending	1,191,235		1,191,235	
Total Investments by Fair Value Level	$ 32,815,132	$ 15,493,326	$ 11,776,841	$ 5,544,965
Investments Measured at NAV				
Fixed Income	$ 5,301,354			
Equity	10,160,905			
Hedge Funds	1,592,126			
Private Equity	5,929,098			
Real Estate	827,831			
Total Investments Measured at NAV	23,811,314			
Total Investments	$ 56,626,446			
Derivatives				
Foreign Exchange Contracts	$ 169,907	$	$ 169,907	$
Foreign Fixed Income Derivatives	(2,735)	(251)	(2,484)	
U.S. Equity Derivatives	(88)	49	(137)	
U.S. Fixed Income Derivatives	10,672	(7,477)	18,149	
Total Derivatives	$ 177,756	$ (7,679)	$ 185,435	$

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Fair Value-Continued

Investments Measured at the Net Asset Value
As of June 30, 2018
(dollars in thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Commingled Fixed Income Funds (1)	$ 5,301,354	$	Daily, Monthly or Not Eligible	1-60 days or N/A
Commingled Equity Funds (2)	10,160,905	43,431	Daily, Monthly or Not Eligible	1-60 days or N/A
Hedge Funds (3)	1,592,126		Daily, Monthly, Quarterly, Semi-Annual, Annual, Self-Liquidating	5-180 days
Private Equity (4)	5,929,098	3,762,043	Not Eligible	N/A
Real Estate (4)	827,831	335,408	Not Eligible	N/A
Total Investments Measured at the NAV	$23,811,314			

(1) Commingled Fixed Income Funds: 5 fixed income funds are considered commingled in nature. They are valued at the net asset value (NAV) of units held at the end of the period based upon the fair value of the underlying investments. Most of the funds are highly liquid within one month; two of the funds representing seven percent of Commingled Fixed Income assets have liquidity available at the end of the fund terms which range from 3 to 7 years.

(2) Commingled Equity Funds: 13 equity funds are considered commingled in nature. They are valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments. Most of the funds are highly liquid within one month; three of the funds representing five percent of Commingled Equity assets have liquidity available subject to lock up periods that limit or prohibit redemptions for the next three to four years.

(3) Hedge Funds: LACERA's Hedge Funds portfolio consists of 90 funds. Hedge Fund investments are valued at NAV per share. When considering liquidity terms, seventy-seven percent of the fund assets are available within 12 months; these funds provide daily, monthly, quarterly, semi-annual, or annual liquidity. Some of these funds are subject to redemption notices that extend the time frame to receive redemptions beyond the next twelve months. The remaining twenty-three percent of fund assets are in self-liquidating funds which do not permit voluntary redemption/withdrawals or in funds that offer periodic liquidity that extends beyond the next twelve months.

LACERA's Hedge Funds portfolio invests in the following strategies:
(a) Macro and Tactical Trading, this strategy makes investments based on analyses and forecasts of macroeconomic trends, including governmental and central bank policies, fiscal trends, trade imbalances, interest rate trends, inter-country relations, and economic and technical analysis.
(b) Equity Long/Short, this strategy purchases and/or sells equities based on fundamental and/or quantitative analysis and other factors.
(c) Credit, this strategy includes long-biased credit, long/short credit, structured credit, and mortgage credit.
(d) Relative Value, this strategy's main focus is to benefit from valuation discrepancies that may be present in related financial instruments by purchasing and/or shorting these instruments.
(e) Multi-Strategy, this strategy aims to pursue varying strategies in order to diversify risks and reduce volatility.
(f) Event Driven, this strategy seeks to gain an advantage from pricing inefficiencies that may occur in the onset or aftermath of a corporate action or related event.
(g) Commodities, this strategy invests across the global commodity markets based on an analysis of factors, including supply and demand, legislative and environmental policies, trends in growth rates and resource consumption, global monetary and trade policy, geopolitical events and technical factors.

(4) Private Equity and Real Estate Funds: LACERA's Private Equity portfolio consists of 250 funds, investing primarily in Buyout Funds, with some exposure to Venture Capital, Special Situations. The Real Estate portfolio, comprised of 15 commingled funds, invests in both U.S. and Non-U.S. commercial real estate. The fair values of these funds have been determined using net assets valued at the end of the period and net assets valued one quarter in arrears plus current quarter cash flows. 13 out of 15 funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5 to 10 years.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Fair Value-Continued

Investments Measured at Fair Value - OPEB Trust
As of June 30, 2018
(in thousands)

Investments by Fair Value Level	Total	Quoted prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
Asset-Backed Securities	$ 1,427	$	$ 1,427	$
Corporate and Other Credit	8,390		8,390	
U.S. Government Agency	94,866	94,866		
U.S. Treasury	991		991	
Total Fixed Income Securities	105,674	94,866	10,808	
Equity Securities				
Pooled Investments	456,824	456,824		
Total Equity Securities	456,824	456,824		
Total Investments by Fair Value Level	$ 562,498	$ 551,690	$ 10,808	$
Investments Measured at Net Asset Value (NAV)				
Fixed Income	$ 267,288			
Real Estate Investment Trust (REIT)	97,073			
Total Investments Measured at NAV	364,361			
Total Investments	$ 926,859			

Investments Measured at Net Asset Value - OPEB Trust
As of June 30, 2018
(dollars in thousands)

	Fair Value	Unfunded Commitments (2)	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Commingled Fixed Income Funds	$ 267,288		Daily, Monthly	1-30 days or N/A
Real Estate Investment Trust (REIT)	97,073		Daily, Monthly	1-30 days or N/A
Total Investments Measured at NAV (1)	$ 364,361			

(1) Commingled Index Funds: The OPEB Master Trust is invested in 8 funds that are considered commingled in nature. They are valued at the net asset value (NAV) of units held at the end of the period based upon the fair value of the underlying investments. Most of the funds are highly liquid within one month.

(2) There are no unfunded commitments in the OPEB Trust. As of June 30, 2018, there was $1.5 million uninvested cash in the OPEB Trust which was deposited into the OPEB cash account and then subsequently invested after month end.

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018 is as follows (in thousands):

Governmental Activities	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	$ 2,416,527	38,387		$ 2,454,914
Easements	4,945,935	10,112		4,956,047
Software in progress	22,006	34,378	(38,851)	17,533
Construction in progress-buildings and improvements	329,759	137,969	(163,392)	304,336
Construction in progress-infrastructure	338,960	79,203	(81,744)	336,419
Subtotal	8,053,187	300,049	(283,987)	8,069,249
Capital assets, being depreciated:				
Buildings and improvements	5,604,542	169,503	(40,892)	5,733,153
Equipment	1,610,622	161,058	(83,039)	1,688,641
Software	615,605	42,791	(168,188)	490,208
Infrastructure	7,874,431	57,418	(1,080)	7,930,769
Subtotal	15,705,200	430,770	(293,199)	15,842,771
Less accumulated depreciation for:				
Buildings and improvements	(1,967,889)	(111,931)	17,841	(2,061,979)
Equipment	(1,159,378)	(109,601)	79,118	(1,189,861)
Software	(207,862)	(42,244)	14,966	(235,140)
Infrastructure	(3,995,572)	(158,129)	284	(4,153,417)
Subtotal	(7,330,701)	(421,905)	112,209	(7,640,397)
Total capital assets, being depreciated, net	8,374,499	8,865	(180,990)	8,202,374
Governmental activities capital assets, net	$ 16,427,686	308,914	(464,977)	$ 16,271,623
Business-type Activities				
Capital assets, not being depreciated:				
Land	$ 153,058			$ 153,058
Easements	31,578			31,578
Construction in progress-buildings and improvements	232,980	118,797	(2,639)	349,138
Construction in progress-infrastructure	43,431	14,771	(16,119)	42,083
Subtotal	461,047	133,568	(18,758)	575,857
Capital assets, being depreciated:				
Buildings and improvements	2,749,048	3,380	(3,194)	2,749,234
Equipment	354,794	83,100	(25,523)	412,371
Software	58,922			58,922
Infrastructure	1,258,843	9,828		1,268,671
Subtotal	4,421,607	96,308	(28,717)	4,489,198

6. CAPITAL ASSETS-Continued

Business-type Activities-Continued

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Less accumulated depreciation for:				
Buildings and improvements	$ (841,592)	(47,829)	762	$ (888,659)
Equipment	(246,835)	(27,853)	9,390	(265,298)
Software	(35,042)	(3,938)		(38,980)
Infrastructure	(601,316)	(23,548)		(624,864)
Subtotal	(1,724,785)	(103,168)	10,152	(1,817,801)
Total capital assets, being depreciated, net	2,696,822	(6,860)	(18,565)	2,671,397
Business-type activities capital assets, net	3,157,869	126,708	(37,323)	3,247,254
Total capital assets, net	$ 19,585,555	435,622	(502,300)	$ 19,518,877

Depreciation Expense

Depreciation expense was charged to functions/programs of the primary government as follows (in thousands):

Governmental activities:	
General government	$ 36,212
Public protection	166,241
Public ways and facilities	89,863
Health and sanitation	36,236
Public assistance	16,374
Education	4,482
Recreation and cultural services	38,978
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	33,519
Total depreciation expense, governmental activities	$ 421,905
Business-type activities:	
Hospitals	$ 71,484
Waterworks	23,971
Aviation	2,983
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	4,730
Total depreciation expense, business-type activities	$ 103,168

6. CAPITAL ASSETS-Continued

Discretely Presented Component Units

CDC

Capital assets activity for the CDC component unit for the year ended June 30, 2018, was as follows (in thousands):

	Balance July 1, 2017, as restated (Note 2)	Additions	Deletions	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	$ 92,183	264		$ 92,447
Construction in progress-buildings and improvements	1,670	3,520	(309)	4,881
Subtotal	93,853	3,784	(309)	97,328
Capital assets, being depreciated:				
Buildings and improvements	227,654	1,026		228,680
Equipment	9,082	1,540	(267)	10,355
Subtotal	236,736	2,566	(267)	239,035
Less accumulated depreciation for:				
Buildings and improvements	(151,013)	(4,677)		(155,690)
Equipment	(7,618)	(868)	171	(8,315)
Subtotal	(158,631)	(5,545)	171	(164,005)
Total capital assets being depreciated, net	78,105	(2,979)	(96)	75,030
CDC capital assets, net	$ 171,958	805	(405)	$ 172,358

First 5 LA

Capital assets activity for the First 5 LA component unit for the year ended June 30, 2018, was as follows (in thousands):

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets, not being depreciated-				
Land	$ 2,039			$ 2,039
Capital assets, being depreciated:				
Buildings and improvements	12,076			12,076
Equipment	2,766	49		2,815
Subtotal	14,842	49		14,891
Less accumulated depreciation for:				
Buildings and improvements	(2,921)	(243)		(3,164)
Equipment	(2,650)	(70)		(2,720)
Subtotal	(5,571)	(313)		(5,884)
Total capital assets being depreciated,net	9,271	(264)		9,007
First 5 LA capital assets, net	$ 11,310	(264)		$ 11,046

7. SERVICE CONCESSION ARRANGEMENTS (SCA)

GASB 60, "Accounting and Financial Reporting for Service Concession Arrangements (SCA)" defines an SCA as a type of public-private or public-public partnership. An SCA is an arrangement, which meets specific criteria under GASB 60, between a government (the transferor) and an operator.

The County determined that golf courses met the criteria set forth in GASB 60 (where the County is the transferor) and therefore included these SCAs in the County's financial statements as deferred inflows of resources. GASB 60 also provides guidance on accounting treatment if the County were acting as an operator of another government's facility. The County has determined that there are no incidences where the County would qualify as an operator.

Golf Courses

The County manages a public golf course system, which offers affordable greens fees, discount programs for senior citizens and students, and a junior golf program. Each golf course is leased under agreement with an operator, which provides for activities such as golf course management, clubhouse operations, and food and beverage concessions. The operators collect user fees and are responsible for the day-to-day operations of the golf courses. The operators are required to operate and maintain the golf courses, and make installment payments to the County, in accordance with their respective contracts.

As of June 30, 2018, the present value of the installment payments under contract is estimated to be $86.63 million and reported as deferred inflows of resources in the statement of net position. The present values of the installment payments were calculated using discount rates of 5.12%, 3.55% and 3.70% for the term of the agreement for each SCA. The lease terms for the twenty golf courses cover remaining periods ranging from 6 years to 21 years as of June 30, 2018. The FY 2017-2018 total monthly installment payments are approximately $670,000. The County primarily uses the proceeds to fund parks and recreation operations, 10% of which is set aside for future golf course capital improvements. The acquisition value of the golf courses, including buildings and land, is reported at $24.87 million as of June 30, 2018.

8. PENSION PLAN

Plan Description

The County pension plan is administered by LACERA, which was established under the CERL. LACERA is a cost-sharing, multi-employer defined benefit plan. It provides benefits to employees of the County and the following additional entities that are not part of the County's reporting entity:

Los Angeles Superior Court
Little Lake Cemetery District
Local Agency Formation Commission
Los Angeles County Office of Education
South Coast Air Quality Management District

New employees of the latter two agencies are not eligible for LACERA benefits.

LACERA issues a stand-alone financial report, which is available at its offices located at Gateway Plaza, 300 N. Lake Avenue, Pasadena, California 91101-4199 or at www.LACERA.com.

8. PENSION PLAN-Continued

Benefits Provided

Benefits are authorized in accordance with the California Constitution, the CERL, the bylaws, and procedures and policies adopted by LACERA's Boards of Retirement and Investments. The Board may also adopt resolutions, as permitted by CERL, which may affect the benefits of LACERA members.

LACERA provides retirement, disability, death benefits and cost of living adjustments to eligible members. Vesting occurs when a member accumulates five years of creditable service under contributory plans or accumulates 10 years of creditable service under the general service non-contributory plan. Benefits are based upon 12 or 36 months' average compensation, depending on the plan, as well as age at retirement and length of service as of the retirement date, according to applicable statutory formula. Vested members who terminate employment before retirement age are considered terminated vested (deferred) members. Service-connected disability benefits may be granted regardless of length of service consideration. Five years of service are required for nonservice-connected disability eligibility according to applicable statutory formula. Members of the non-contributory plan, who are covered under separate long-term disability provisions not administered by LACERA, are not eligible for disability benefits provided by LACERA.

Contributions

LACERA has nine benefit tiers known as A, B, C, D, E and G, and Safety A, B and C. All tiers except E are employee contributory. Tier E is employee non-contributory. Prior to December 31, 2012, new general members were only eligible for tier D or E and new safety members were only eligible for Safety B. As of January 1, 2013, new general employees are only eligible for tier G and new safety members are only eligible for Safety C. These new tiers were added as a result of the California Public Employees' Pension Reform Act of 2013 (PEPRA) and became effective January 1, 2013. Rates for the tiers are established in accordance with State law by LACERA's Boards of Retirement and Investments and the County Board of Supervisors.

The following employer rates were in effect for FY 2017-2018:

July 1, 2017 - September 30, 2017	A	B	C	D	E	G
General Members	24.11%	15.94%	15.32%	16.19%	17.49%	16.07%
Safety Members	32.25%	25.94%	21.93%			

October 1, 2017 - June 30, 2018	A	B	C	D	E	G
General Members	26.06%	17.50%	16.80%	18.17%	19.57%	18.04%
Safety Members	34.45%	27.75%	23.73%			

8. PENSION PLAN-Continued

Contributions-Continued

The rates were determined by the actuarial valuation performed as of June 30, 2016. Some of the assumptions used in the actuarial valuation performed as of June 30, 2016 were updated, including lowering the investment rate of return from 7.50% to 7.25%. The LACERA Board of Investments adopted the recognition of the increase in the calculated employer contribution rates due to the new assumptions over a three year period. As a result, the employer contribution rates used in fiscal year 2017-2018, beginning October 1, 2017, increased by 1.48% to 2.20% over the rates used in fiscal year 2016-2017 and may increase again during the following fiscal year.

Employee rates vary by option and employee entry age from 5% to 16% of their annual covered salary.

During fiscal year 2017-2018, the County contributed the full amount of the Actuarial Determined Contribution, as determined by the actuarial valuations, in the form of semi-monthly cash payments in the amount of $1.466 billion.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the County reported a liability of $10.850 billion for its proportionate share of the net pension liability in accordance with the parameters of GASB 68. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, projected forward to the measurement date, taking into account any significant changes between the valuation date and the measurement date. The County's proportion of the net pension liability was based on a projection of the County's future contribution effort to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. At June 30, 2017, the County's proportionate share was 96.12%, which was a decrease of 0.05% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of $1.402 billion which is reported as $1.163 billion for governmental activities and $0.239 billion for business-type activities. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or methods, and plan benefits. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Inflows of Resources	Deferred Outflows of Resources
Net difference between projected and actual earnings	$	$ 34,706
Change in assumptions		2,590,314
Change in experience	797,165	
Change in proportion and differences between County contributions and proportionate share of contributions	180,661	227,711
Contributions made subsequent to measurement date		1,466,411
Total	$ 977,826	$ 4,319,142

8. PENSION PLAN-Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions-Continued

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner in accordance with GASB 68. Investment gains or losses are recognized in pension expense over a five year period and economic/demographic gains or losses and assumption changes or inputs are recognized over the average remaining service life for all active and inactive members, which is 8 years.

Amounts currently reported as deferred outflows and inflows of resources, other than contributions related to pension, will be recognized in pension expense as follows (in thousands):

	Deferred Outflows/(Inflows) of Resources
Year Ending June 30:	
2019	$ 27,687
2020	750,334
2021	439,511
2022	(252,916)
2023	229,021
Thereafter	681,268

Deferred outflows of $1.466 billion related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

Actuarial Assumptions

Valuation Timing	June 30, 2016, rolled forward to June 30, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.75%
General Wage Growth	3.25%
Projected Salary Increases	3.51% to 11.51%
Investment Rate of Return	7.38%, net of investment expense, including inflation
Cost of Living Adjustments (COLA)	Based on changes in the Consumer Price Index from the previous January 1 to the current January 1, to the nearest 0.50% of 1.00%, limited to a maximum of 3.00%. Supplemental Targeted Adjustment for Retirees (STAR) COLA benefits are assumed to be substantively automatic at the 80% purchasing power level until the STAR reserve is projected to be insufficient to pay further STAR benefits.
Mortality	Various rates based on the RP-2014 Healthy and Disabled Annuitant mortality tables and including projection for expected future mortality improvement using the MP2014 Ultimate Projection Scale. See June 30, 2016 actuarial valuation for details. It can be found at www.LACERA.com.
Experience Study	Covers the three year period ended June 30, 2016.

8. PENSION PLAN-Continued

Actuarial Assumptions-Continued

The long-term expected rate of return on pension plan investments (7.25%, net of all expenses) was determined using a building block method in which a median, or expected, geometric rate of return was developed for each major asset class. The median rates were combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentages. The assumptions used reflect a change in the discount rate from 7.63% as of June 30, 2016 to 7.38% as of June 30, 2017.

For the year ended June 30, 2017:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Rate of Return (After Expected 2.75% Inflation Rate) (Geometric)
Global Equity	41.40%	5.70%
Fixed Income	27.80%	2.60%
Real Estate	11.00%	4.60%
Private Equity	10.00%	6.90%
Commodities	2.80%	1.60%
Hedge Funds	5.00%	3.10%
Other Opportunities	0.00%	4.50%
Cash	2.00%	(0.20)%

Discount Rate

The discount rate used to measure the total pension liability was 7.38%. This is equal to the 7.25% long-term investment return assumption adopted by LACERA (net of investment and administrative expenses), plus 0.13% assumed administrative expenses. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, and that County contributions will be made at rates equal to the difference between actuarially determined contribution rates and member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be sufficient to pay all projected future benefit payments of current active and inactive plan members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, gross of administrative expenses.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the County's proportionate share of the net pension liability calculated using the discount rate of 7.38%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.38%) or 1-percentage point higher (8.38%) than the current rate (in thousands):

	1% Decrease (6.38%)	Discount Rate (7.38%)	1% Increase (8.38%)
Net Pension Liability	$19,188,603	$10,849,931	$ 3,956,420

8. PENSION PLAN-Continued

Pension Plan Fiduciary Net Position

Detailed information about pension plan fiduciary net position as of June 30, 2017 is available in the separately issued LACERA financial report, which can be found at www.LACERA.com.

Deferred Compensation Plans

The County offers to its employees three deferred compensation plans created in accordance with Sections 401 and 457 of the Internal Revenue Code. One or more of these plans are available to substantially all employees and allow participants to defer a portion of their current income until future years.

Plan Description and Funding Policy

The Deferred Compensation and Thrift Plan was established as a Section 457 defined contribution plan covering employees who have achieved full time and permanent employment status. The Plan is designed to permit these employees to voluntarily defer a portion of their compensation and provide for retirement and death benefits. The plan is funded by employer and employee contributions. As of June 30, 2018, the County provided up to a 4% matching contribution per pay period of the employee's voluntary contribution. Employer and employee contributions are deposited into the participant accounts and invested based on participant selected options. Total employer contributions for the year ended June 30, 2018, were $242.19 million.

The Savings Plan is a Section 401(k) defined contribution plan covering eligible full-time permanent employees of the County not covered by collective bargaining agreements and who desire to participate in the Plan. Employees eligible for voluntary participation in this plan are also eligible for participation in the Deferred Compensation and Thrift Plan. The plan is funded by employer and employee contributions. As of June 30, 2018, the County provided up to a 4% matching contribution per pay period of the employee's voluntary contribution. Employer and employee contributions are deposited into the participant accounts and invested based on participant selected options. Total employer contributions for the year ended June 30, 2018, were $64.56 million.

The Pension Savings Plan is a Section 457 defined contribution plan covering part-time, temporary and seasonal County employees who are not eligible to participate in the retirement programs provided through the LACERA. The Plan was established in lieu of employee coverage under Social Security. Participation in the plan is mandatory and employees must contribute a minimum of 4.5% of their eligible earnings and the County makes a contribution equal to 3% of compensation. Participants may contribute additional amounts beyond the required 4.5%. Total employer contributions for the year ended June 30, 2018, were $7.98 million.

The plans are administered through a third-party administrator. The assets of the plans are held in trust by Wells Fargo Bank, N.A. and invested at the direction of the participants. Thus, plan assets and any related liability to plan participants have been excluded from the County's financial statements.

9. OTHER POSTEMPLOYMENT BENEFITS

Retiree Healthcare

Plan Description

LACERA administers a cost-sharing, multi-employer Retiree Healthcare (RHC) OPEB program on behalf of the County, its affiliated Superior Court, and four outside districts. The outside districts include: Little Lake Cemetery District, Local Agency Formation Commission, Los Angeles County Office of Education and the South Coast Air Quality Management District.

In April 1982, the County of Los Angeles adopted an ordinance pursuant to Government Code Section 31691, which provided for a health insurance program and death benefits for retired employees and their dependents. In 1994, the County amended the agreements to continue to support LACERA's retiree insurance benefits program regardless of the status of active member insurance.

In June 2014, the LACERA Board approved the County's request to modify the agreements to create a new retiree healthcare benefit plan in order to lower its Retiree Healthcare Program (RHP) costs. Structurally, this means the County will be segregating all current retirees and current employees into RHP Tier 1 and placing all employees hired after June 30, 2014 into RHP Tier 2. Under the new RHP Tier 2, retirees who are eligible for Medicare will be required to enroll in that program. In addition, coverage will be available for employees or eligible survivors only.

Pursuant to the 1982, 1994, and 2014 Agreements between the County and LACERA, the parties agreed to the continuation of the health insurance benefits then in existence. The County agreed to subsidize a portion of the insurance premiums of certain retired members and their eligible dependents based on the member's length of service. The County further agreed to maintain the status quo of existing benefits provided to participants. As part of the 2014 Agreement, the County modified the existing healthcare benefit plan, which created a new benefit structure, Tier 2, for all employees hired after June 30, 2014. LACERA agreed not to change retired members' contributions toward insurance premiums or modify medical benefit levels without the County's prior consent. Active employees are not required to make contributions to the plan.

Pursuant to the California Government Code, the County established an irrevocable Other Postemployment Benefit (OPEB) Trust for the purpose of holding and investing assets to pre-fund the RHP, which LACERA administers. On May 15, 2012, the Los Angeles County Board of Supervisors entered into a trust and investment services agreement with the LACERA Board of Investments to act as trustee and investment manager. The OPEB Trust does not modify the County's benefit programs.

LACERA issues a stand-alone financial report that includes the required information for the OPEB plan. The report is available at its offices located at Gateway Plaza, 300 North Lake Avenue, Pasadena, California 91101-4199 or www.LACERA.com.

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Retiree Healthcare-Continued

Benefits Provided

Health care benefits earned by County employees are dependent on the number of completed years of retirement service credited to the retiree by LACERA upon retirement; it does not include reciprocal service in another retirement system. Service includes all service on which the member's retirement allowance was based.

The RHC OPEB Program offers members an extensive choice of medical plans as well as two dental/vision plans. The medical plans are either HMOs or indemnity plans, and some are designed to work with Medicare benefits, such as the Medicare Supplement or Medicare HMO plans. Coverage is available regardless of preexisting medical conditions. Under Tier 2, retirees who are eligible for Medicare are required to enroll in that program. Medicare-eligible retirees and their covered dependents must enroll in Medicare Parts A and B and in a Medicare HMO plan or Medicare Supplement plan under Tier 2.

Medical and Dental/Vision - Program benefits are provided through third party insurance carriers with the participant's cost for medical and dental/vision insurance varying according to the years of retirement service credit with LACERA, the plan selected, and the number of persons covered. The County contribution subsidizing the participant's cost starts at 10 years of service credit in the amount of 40% of the lesser of the benchmark plan rate or the premium of the plan in which the retiree is enrolled. For each year of retirement service credit earned beyond 10 years, the County contributes four percent per year, up to a maximum of 100% for a member with 25 years of service credit. The County contribution can never exceed the premium of the benchmark plans. Members are responsible for premium amounts above the benchmark plans, including those with 25 or more years of service credit.

Under Tier 1, the County subsidy is based on the coverage elected by the retiree. The benchmark plans are Anthem Blue Cross Plans I and II for medical and Cigna Indemnity Dental/Vision for dental and vision. Under Tier 2, the County subsidy is based on retiree only coverage. Tier 2 medical benchmark plans are Anthem Blue Cross Plans I and II for Medicare-ineligible members, Anthem Blue Cross Plan III for Medicare-eligible members, and Cigna Indemnity Dental/Vision for dental and vision plans.

Medicare Part B - The County reimburses the member's Medicare Part B Standard rate premiums paid by member to Social Security for Part B coverage, subject to annual approval by the County Board of Supervisors. Eligible members and their dependents must be enrolled in both Medicare Part A and Medicare Part B and enrolled in a LACERA- administered Medicare HMO Plan or Medicare Supplement Plan and meet all of the qualifications. Under Tier 2, the County reimburses for Medicare Part B (at the standard rate) for eligible members or eligible survivors only.

Disability - If a member is granted a service-connected disability retirement and has less than 13 years of service, the County contributes the lesser of 50% of the benchmark plan rate or the premium of the plan in which the retiree is enrolled. Under Tier 2, the benchmark plan rate is based on retiree-only premiums. A member with 13 years of service credit receives a 52% subsidy. This percentage increases 4% for each additional completed year of service, up to a maximum of 100%.

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Retiree Healthcare-Continued

Benefits Provided-Continued

Death/Burial Benefit - There is a one-time lump-sum $5,000 death/burial benefit payable to the designated beneficiary upon the death of a retiree, reimbursed to LACERA by the County. Active and vested terminated (deferred) members are eligible for this benefit once they retire. Spouses and dependents are not eligible for this death benefit.

Contributions

The County's required contribution during FY 2017-2018 is on a pay-as-you-go basis. During FY 2017-2018, the County made payments to LACERA totaling $559.08 million for retiree health care benefits. Included in this amount was $61.70 million for Medicare Part B reimbursements and $8.70 million in death benefits. Additionally, $44.8 million was paid by member participants. During FY 2017-2018, the County also contributed $120.80 million in excess of the pay-as-you-go amounts.

Investments

The LACERA Board of Investments is responsible for setting the investment policy and investing any contributions made to the OPEB Trust from the participating employers. The OPEB Trust has a long-term investment horizon, and utilizes an asset allocation which encompasses a strategic, long-run perspective of capital markets. The current target asset allocation is invested in high quality, short-term fixed income instruments and any remaining assets invested in a passive global equity portfolio. This policy provides for diversification of assets in an effort to maximize the total return of the OPEB Trust consistent with market conditions and risk control. The following was the adopted asset allocation policy as of June 30, 2017.

Asset Class	Target Allocation	Expected Geometric Nominal Return (30 years)	Expected Geometric Real Return (30 years)
Cash	11.20%	3.05%	0.31%
Short-Term U.S. Bonds	7.28%	3.90%	1.14%
U.S. Equity	44.02%	6.44%	3.61%
Foreign Developed Equity	18.75%	6.87%	4.02%
Emerging Markets Equity	18.75%	7.68%	4.82%
Total	100.00%	6.66%	3.81%

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Retiree Healthcare-Continued

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Retiree Healthcare OPEB Plan

Annual RHC OPEB Expense and Net OPEB Liability

At June 30, 2018, the County reported a liability of $25.249 billion for its proportionate share of the net RHC OPEB liability. The net RHC OPEB liability was measured as of June 30, 2017, and the total RHC OPEB liability used to calculate the net RHC OPEB liability was determined by an actuarial valuation as July 1, 2016, projected forward to the measurement date taking into account any significant changes between the valuation date and the measurement date. The County's proportion of the net OPEB liability was based on a projection of the County's future contribution effort to the OPEB plan relative to the projected contributions of all OPEB participants actuarially determined. At June 30, 2017, the County's proportionate share was 95.39%, which was an increase of 0.09% from the proportion measured at June 30, 2016.

For the year ended June 30, 2018, the County recognized OPEB expense of $1.971 billion which is reported as $1.636 billion for governmental activities and $0.335 million for business-type activities. OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for actual contributions and the deferred recognition of change in investment gain/loss, actuarial gain/loss, actuarial assumptions or methods, and plan benefits.

At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to RHC OPEB from the following sources (in thousands):

	Deferred Inflows of Resources	Deferred Outflows of Resources
Net difference between projected and actual earnings	$ 41,152	$
Change of assumptions	1,491,716	
Change in proportion and differences between County contributions and the proportionate share of contributions	141,408	139,553
Contributions made subsequent to measurement date		679,872
Total	$ 1,674,276	$ 819,425

The deferred inflows of resources and deferred outflows of resources above represent the unamortized portion of changes to the net RHC OPEB liability to be recognized in future periods in a systematic and rationale manner in accordance with GASB 75. Investment gains or losses are recognized in OPEB expense over a five year period and economic/demographic gains or losses and assumption changes or inputs are recognized over the average remaining service life of all active and inactive members, which is 9 years.

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Retiree Healthcare-Continued

Annual RHC OPEB Expense and Net OPEB Liability-Continued

Amounts currently reported as deferred outflows and inflows of resources, other than contributions related to RHC OPEB, will be recognized in RHC OPEB expense as follows (in thousands):

	Deferred Outflows/(Inflows) of Resources
Year Ending June 30:	
2019	$ (196,985)
2020	(196,985)
2021	(196,985)
2022	(196,987)
2023	(186,696)
Thereafter	(560,085)

Deferred outflows of resources of $679.87 million related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019.

Actuarial Methods and Assumptions

Valuation Timing	July 1, 2016, rolled forward to June 30, 2017
Actuarial Cost Method	Individual Entry Age Normal, Level Percent of Pay
Asset Valuation Method	Fair Market Value
Inflation	2.75%
Salary Increases	3.25% general wage increase and merit according to Table A-5 of the June 30, 2017 actuarial valuation of retirement benefits. It can be found at www.LACERA.com.
Mortality	Various rates based on the RP-2014 Healthy and Disabled Annuitant mortality tables and including projection for expected future mortality improvement using the MO Healthcare Cost Trend Rates P-2014 Ultimate Projection Scale.
Experience Study	Covers the three year period ended June 30, 2016.
Discount Rate	4.69%
Long-term expected rate of return, net of investment expenses	6.66%
20 Year Tax-Exempt Municipal Bond Yield	3.58%

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Retiree Healthcare-Continued

Actuarial Methods and Assumptions-Continued

Healthcare Cost Trend rates:

	Initial Year	Ultimate
LACERA Medical Under 65	4.40%	4.50%
LACERA Medical Over 65	4.60%	4.50%
Part B Premiums	6.80%	4.35%
Dental/Vision	2.00%	3.70%
Weighted Average Trend	4.57%	4.47%

Discount Rate

GASB 75 requires determination of whether the OPEB Trust's Fiduciary Net Position is projected to be sufficient to make projected benefit payments. The Plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate incorporates a municipal bond rate based on the 20-year Bond Buyer GO index (municipal bond rate) which was 3.58% as of June 30, 2017. For 2017, the long-term expected rate of return of 6.66% was applied to projected benefit payments from 2017 to 2052. The municipal bond rate was applied to the remaining periods. The resultant blended discount rate used to measure the Total OPEB Liability as of June 30, 2017 was 4.69%, an increase of 0.35% from the rate as of June 30, 2016.

Sensitivity of the County's Proportionate Share of the RHC OPEB Liability to Changes in the Discount Rate

The following represents the County's proportionate share of the net RHC OPEB liability calculated using the discount rate of 4.69%, as well as what the County's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.69%) or 1-percentage point higher (5.69%) than the current rate (in thousands):

	1% Decrease (3.69%)	Discount Rate (4.69%)	1% Increase (5.69%)
Net RHC OPEB Liability	$ 30,459,305	$ 25,249,103	$ 21,167,638

Sensitivity of the County's Proportionate Share of the RHC OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following represents the County's proportionate share of the net RHC OPEB liability, as well as what the County's proportionate share of the net RHC OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates (in thousands):

	1% Decrease	Current Trend Rate	1% Increase
Net RHC OPEB Liability	$ 20,433,664	$ 25,249,103	$ 31,697,598

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Retiree Healthcare-Continued

OPEB Plan Fiduciary Net Position

Detailed information about OPEB plan fiduciary net position as of June 30, 2017 is available in the separately issued LACERA financial report, which can be found at www.LACERA.com.

Long-Term Disability

Plan Description

The County provides Long-Term Disability (LTD) benefits to employees and these benefits have been determined to fall within the definition of OPEB, per GASB 75. The LTD plans are administered by the County and are not administered through a trust. Each of the LTD Plans are a single employer plan and the amounts paid by the County are paid when the benefits become due during the reporting period. These LTD benefits provide for income replacement if an employee is unable to work because of illness or injury. The Board of Supervisors approved the County's original LTD plan effective March 3, 1982. Effective January 1, 1991, a new Megaflex plan was approved by the Board of Supervisors and includes a Megaflex LTD plan and a LTD Health Plan. The LTD Health Plan was added to the LTD program and made available to all participants effective January 1, 2002.

Benefits Provided

The benefit provisions of the four LTD plans is as follows:

Eligibility

Non-Megaflex Income/Survivor Income Benefit (SIB) - The Plans cover:

(1) An employee who becomes totally disabled as a direct result of an injury or disease while performing his assigned duties; or,
(2) An employee who becomes totally disabled after having completed five or more years of continuous service with the County; or,
(3) A qualified beneficiary of a deceased employee who had previously become totally disabled as a direct result of an injury or disease while performing his assigned duties;
(4) A qualified beneficiary of a deceased employee who had previously become totally disabled after having completed five or more years of continuous service with the County.
(5) A qualified beneficiary of an employee who dies as a direct result of an injury or disease while performing his assigned duties, or,
(6) A qualified beneficiary of an employee who dies in active service after having completed five or more years of continuous service with the County.

Megaflex Income/SIB - The Plans covers:

(1) An employee purchases LTD coverage and then becomes totally disabled; or,

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Long-Term Disability-Continued

Benefits Provided-Continued

(2) An employee who becomes totally disabled after having completed five or more years of continuous service with the County and is a member of Retirement Plan E.
(3) the Qualified Beneficiary of a Retirement Plan E participant who is currently enrolled in the Survivor Income Benefit Plan at the time of death.

Non-MegaFlex Member LTD Health Plan - The plan continues medical insurance coverage for employees who are receiving or eligible to receive LTD Income benefits and are enrolled in one of the County approved health plans.

MegaFlex Member LTD Health Plan - The plan continues medical insurance coverage for employees who are receiving or eligible to receive LTD Income benefits and are enrolled in one of the County approved health plans.

Benefit Formula

Non-Megaflex Income/SIB - The plan provides a Basic monthly benefit of:

(1) 60% of Basic Monthly Compensation (commences after 6 months of disability)
(2) Annual Cost of Living Adjustment (COLA), beginning after 2 years of benefit payments (limited to a maximum of 2%/year), if disabled after 1/1/2001.
(3) For a qualified beneficiary, 55% of the LTD disability benefit that the employee was receiving or would have received immediately prior to death; and, continues for the life of the qualified surviving spouse/domestic partner and upon spousal death to the qualified children beneficiaries.

Megaflex Income/SIB - The plan provides a Basic monthly benefit of:

(1) 40% or 60% of Basic Monthly Compensation (commences after 6 months of disability)
    a. Plan E members
        (1) With 5+ years of services 40% non-elective or can buy up to 60
        (2) With less than 5 years of service: can buy 40% or 60%
    b. Plan A, B, C, or D members: can buy 40% or 60%
(2) Annual COLA, beginning after 2 years of benefit payments (limited to a maximum of 2% per year), if disabled after 1/1/2001.
(3) For a qualified beneficiary, the plan provides a Basic Monthly Benefit of 10%, 15%, 25%, 35%, or 50% of employee's monthly salary if they elected.

Non-MegaFlex Member LTD Health Plan - The plan pays 75% of monthly medical premiums for disabled members.

MegaFlex Member LTD Health Plan - The plan pays 75% of monthly medical premiums for disabled members.

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Long-Term Disability-Continued

Benefits Provided-Continued

Maximum Period

Non-Megaflex Income/SIB and Megaflex Income/SIB - LTD benefits stop when:

(1) Employee is no longer totally disabled or turns age 65, whichever occurs first. However, if employee is age 62 or older when benefit commences, benefit can continue beyond age 65 (length depends on age at commencement) as follows:

Age at Disability	Maximum Period
62	3 ½
63	3
64	2 ½
65	2
66	1 ¾
67	1 ½
68	1 ¼
69 and older	1

or

(2) Employee takes early or normal retirement under Plan E.

Employees covered by benefit terms

At June 30, 2018, the following employee were covered by the benefit terms:

LTD Income and Survivor Benefit Plans:	
Inactive employees or beneficiaries currently receiving benefit payments	2,518
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	74,357
LTD Health Plans	
Inactive employees or beneficiaries currently receiving benefit payments	594
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	65,168

Total LTD OPEB LIABILITY

At June 30, 2018, the County reported a total LTD OPEB liability of $1.073 billion. The total LTD OPEB liability was determined by an actuarial valuation as of July 1, 2017.

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Long-Term Disability-Continued

Actuarial Methods and Assumptions

Valuation Timing	July 1, 2017
Actuarial Cost Method	Individual Entry Age Normal, Level Percent of Pay
Inflation	The inflation rate is included in the salary increase percentage and the Healthcare cost trend rates.
Salary Increases	3.25% general wage increase and merit according to Table A-5 of the June 30, 2017 RHC OPEB Program's actuarial valuation report. It can be found at www.LACERA.com.
Mortality	Various rates based on the RP-2014 Healthy and Disabled Annuitant mortality tables and including projection for expected future mortality improvement using the MO Healthcare Cost Trend Rates - 2014 Ultimate Projection Scale.
Discount Rate	Equal to the municipal bond rate based on the 20-year Bond Buyer GO index (municipal bond rate) as of June 2017, which was 3.58 percent as of June 30, 2017.

Healthcare Cost Trend rates:

Year	Rate (preMedicare/ post Medicare)	Year	Rate (pre Medicare/ post Medicare)
2017-2018	4.40%/4.60%	2037-2038	6.10%/5.60%
2018-2019	5.80%/6.00%	2047-2048	5.70%/5.60%
2019-2020	6.30%/6.00%	2057-2058	5.50%/5.80%
2020-2021	6.70%/6.50%	2067-2068	5.10%/5.30%
2021-2022	5.70%/6.10%	2077-2078	4.50%/4.60%
2022-2023	5.80%/6.10%	2087-2088	4.50%/4.60%
2023-2024	5.30%/5.30%	2097-2098	4.50%/4.50%
2024-2025	5.40%/5.40%	2099+	4.50%/4.50%
2025-2026	5.60%/5.40%		
2026-2027	5.80%/5.40%		
2027-2028	5.90%/5.50%		

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Long-Term Disability-Continued

Changes in the Total LTD OPEB Liability (in thousands):

Total OPEB Liability at 6/30/2017	$ 1,159,467
Service Cost	49,068
Interest	33,546
Changes of benefit terms	
Differences between expected and actual experience	589
Changes of assumptions or other inputs	(106,200)
Contributions	
Net Investment Income	
Benefit payments	(63,430)
Net Changes	(86,427)
Total LTD OPEB Liability at 6/30/2018	$ 1,073,040

Changes of assumptions or other inputs reflect a change in the discount rate from 2.85% as of 6/30/2016 to 3.58% as of 6/30/2017.

Sensitivity of the total LTD OPEB Liability to Changes in the Discount Rate

The following represents the County's total LTD OPEB liability calculated using the discount rate of 3.58%, as well as what the County's proportionate share of the total LTD OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.58%) or 1-percentage point higher (4.58%) than the current rate (in thousands):

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Total LTD OPEB Liability	$ 1,221,142	$ 1,073,040	$ 942,900

Sensitivity of the County's Total LTD OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following represents the County's total LTD OPEB liability, as well as what the County's total LTD OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates (in thousands):

	1% Decrease	Current Trend Rate	1% Increase
Total LTD OPEB Liability	$ 1,062,959	$ 1,073,040	$ 1,084,827

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Long Term Disability-Continued

OPEB Expense and the Deferred Outflows of Resources and Deferred Inflows of Resources Related to LTD OPEB

For the year ended June 30, 2018, the County recognized LTD OPEB expense of $30.925 million which is reported as $25.602 million for governmental activities and $5.323 million for business-type activities. OPEB expense represents the change in the total LTD OPEB liability during the measurement period, adjusted for actual contributions and the deferred recognition of change in investment gain/loss, actuarial gain/loss, actuarial assumptions or methods, and plan benefits.

At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to LTD OPEB from the following sources (in thousands):

	Deferred Inflows of Resources	Deferred Outflows of Resources
Change in experience	$	$ 540
Change of assumptions	97,351	
Change in proportionate share	25,183	25,183
Amounts paid by the employer for OPEB benefits subsequent to the measurement date	20,541	
Total	$ 143,075	$ 25,723

The deferred inflows of resources and deferred outflows of resources above represent the unamortized portion of changes to the total LTD OPEB liability to be recognized in future periods in a systematic and rationale manner in accordance with GASB 75. Economic/demographic gains or losses, assumption changes or inputs, and change in proportion are recognized over the average remaining service life of all active and inactive members, which is 12 years. The change in proportionate share represents the changes in allocation percentages to the individual funds, including the proprietary funds, of the total OPEB LTD liability from the prior measurement date to the current measurement date.

Amounts currently reported as deferred outflows and inflows of resources will be recognized in OPEB expense as follows (in thousands):

	Deferred Outflows/(Inflows) of Resources
Year Ending June 30:	
2019	$ (8,800)
2020	(8,800)
2021	(8,800)
2022	(8,800)
2023	(8,800)
Thereafter	(52,811)

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Long Term Disability-Continued

Combined Balances of the net OPEB Liability, Deferred Outflows of Resources, Deferred Inflows of Resources and the OPEB Expense

The following total balances are reflected in the accompanying statement of net position (in thousands):

	RHC OPEB	LTD OPEB	Total
Net OPEB Liability	$25,249,103	$1,073,040	$26,322,143
Deferred Outflows of Resources	819,425	25,723	845,148
Deferred Inflows of Resources	1,674,276	143,075	1,817,351
OPEB Expense	1,970,614	30,925	2,001,539

10. LEASES

Operating Leases

The following is a schedule of future minimum rental payments required under operating leases entered into by the County that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2018 (in thousands):

Year Ending June 30	Governmental Activities
2019	$ 95,517
2020	75,581
2021	57,097
2022	43,085
2023	33,204
2024-2028	103,645
2029-2033	54,505
2034-2038	22,618
2039-2043	15,327
2044-2048	14,654
2049	733
Total	$ 515,966

Rent expenses related to operating leases were $97,382,000 for the year ended June 30, 2018.

10. LEASES-Continued

Capital Lease Obligations

The following is a schedule of future minimum lease payments under capital lease obligations together with the present value of future minimum lease payments as of June 30, 2018 (in thousands):

Year Ending June 30	Governmental Activities	Business-type Activities
2019	$ 24,960	$ 78
2020	27,008	78
2021	26,766	52
2022	26,431	34
2023	26,430	11
2024-2028	101,043	
2029-2033	73,402	
2034-2038	36,704	
Total	342,744	253
Less: Amount representing interest	180,138	18
Present value of future minimum lease payments	$ 162,606	$ 235

The following is a schedule of property under capital leases by major classes at June 30, 2018 (in thousands):

	Governmental Activities	Business-type Activities
Land	$ 32,238	$
Buildings and improvements	142,638	
Equipment	58,270	276
Accumulated depreciation	(65,876)	(45)
Total	$ 167,270	$ 231

Future rent revenues to be received from noncancelable subleases are $884,000 as of June 30, 2018.

Leases of County-Owned Property

The County has entered into operating leases relative to the Marina del Rey Project area, regional parks, asset development projects and Whiteman Airport. Substantially all of the Marina's land and harbor facilities are leased to others under agreements classified as operating leases. Certain regional parks are leased under agreements, which provide for activities such as food and beverage concessions, and recreational vehicle camping. The asset development projects are ground leases and development agreements are entered into by the County for private sector development of commercial, industrial, residential, and cultural uses on vacant or underutilized County owned property. The Whiteman Airport lease is for hanger space. The asset development leases cover remaining periods ranging generally from 4 to 80 years and are accounted for in the General Fund. The lease terms for the regional parks cover remaining periods ranging from 1 to 17 years and are also accounted for in the General Fund. The Marina del Rey leases cover remaining periods ranging from 1 to 60 years and are accounted for in the General Fund. The airport lease covers a remaining period of 13 years and is accounted for in the Aviation Enterprise Fund.

10. LEASES-Continued

Leases of County-Owned Property-Continued

The land carrying value of the asset development project ground leases and the Marina del Rey Project area leases is $640,790,000. The carrying value of the capital assets associated with the regional park and Whiteman Aiport operating leases is not determinable.

The following is a schedule of future minimum rental receipts on noncancelable leases as of June 30, 2018 (in thousands):

Year Ending June 30	Governmental Activities	Business-type Activities
2019	$ 45,733	$ 187
2020	45,653	192
2021	45,633	197
2022	45,427	201
2023	42,788	206
Thereafter	1,607,422	1,848
Total	$ 1,832,656	$ 2,831

The following is a schedule of rental income for these operating leases for the year ended June 30, 2018 (in thousands):

	Governmental Activities	Business-type Activities
Minimum rentals	$ 44,645	$ 179
Contingent rentals	21,861	
Total	$ 66,506	$ 179

The minimum rental income is a fixed amount based on the lease agreements. The contingent rental income is a percentage of revenue above a certain base for the asset development leases or a calculated percentage of the gross revenue less the minimum rent payment for the other leases.

11. LONG-TERM OBLIGATIONS

Long-term obligations of the County consist of bonds, notes and loans, pension (see Note 8), OPEB (see Note 9), capital lease obligations (see Note 10) and other liabilities, which are payable from the General, Special Revenue, Debt Service, Enterprise and Internal Service Funds.

11. LONG-TERM OBLIGATIONS-Continued

A summary of bonds, notes and loans recorded within governmental activities follows (in thousands):

	Original Par Amount of Debt	Balance June 30, 2018
Regional Park and Open Space District Bonds (issued by Public Works Financing Authority), 3.00% to 5.25%	$ 275,535	$ 28,505
NPC Bonds, 5.00%	26,986	15,182
Public Buildings Bonds and Notes, 0.32% to 7.62%	1,075,096	1,063,220
Los Angeles County Securitization Corporation Tobacco Settlement Asset-Backed Bonds, 5.25% to 6.65%	319,827	400,085
NPC Bond Anticipation Notes, 1.57% to 2.43%	23,557	23,557
Marina del Rey Loans, 4.50% to 4.70%	23,500	13,174
Lease Revenue Obligation Notes, 1.20% to 2.70%	75,489	75,489
Total	$ 1,819,990	$ 1,619,212

A summary of bonds, notes and loans recorded within business-type activities follows (in thousands):

	Original Par Amount of Debt	Balance June 30, 2018
NPC Bonds, 5.00%	$ 10,494	$ 5,903
Public Buildings Bonds and Notes, 0.32% to 7.62%	774,228	750,188
NPC Bond Anticipation Notes, 1.57%	1,443	1,443
Lease Revenue Obligation Notes, 1.20% to 2.70%	249,101	249,101
Waterworks District Loans, 2.28%	8,869	7,315
Aviation Loan, 2.95%	2,000	1,715
Total	$ 1,046,135	$ 1,015,665

Assessment Bonds

The Regional Park and Open Space District (District) issued voter approved assessment bonds in 1997, some of which were advance refunded in FY 2004-2005 and the remainder in FY 2007-2008, to fund the acquisition, restoration, improvement and preservation of beach, park, wildlife and open space resources within the District. As discussed in Note 4, the bonds were purchased by the Public Works Financing Authority (Authority) and similar bonds were issued as a public offering. The bonds issued by the Authority are payable from the pledged proceeds of annual assessments levied on parcels within the District's boundaries.

11. LONG-TERM OBLIGATIONS-Continued

Assessment Bonds-Continued

The bonds mature in FY 2019-2020. Annual principal and interest payments of the bonds are expected to require less than 50% of annual assessment revenues. Total principal and interest remaining on the bonds is $27,966,000, not including unamortized bond premiums. Principal and interest for the current year and assessment revenues were $14,012,000 and $125,567,000, respectively.

Principal and interest requirements on assessment bonds are as follows (in thousands):

Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest
2019	$ 12,955	$ 1,039
2020	13,620	352
Subtotal	26,575	$ 1,391
Add: Unamortized bond premiums	1,930	
Total assessment bonds	$ 28,505	

Certificates of Participation and Bonds

The County has issued lease revenue bonds through various financing entities that have been established and are component units of the County. The debt proceeds have been used to finance the acquisition of County facilities and equipment. The County makes annual payments to the financing entities for the use of the property and the debt is secured by the underlying capital assets that have been financed.

Principal and interest requirements on Certificates of Participation (COPs) and Bonds (NPC bonds, Public Buildings Bonds and COPs for governmental activities and NPC bonds and Public Buildings Bonds and COPs for business-type activities) are as follows (in thousands):

11. LONG-TERM OBLIGATIONS-Continued

Certificates of Participation and Bonds-Continued

Year Ending	Governmental Activities		Business-type Activities	
June 30	Principal	Interest	Principal	Interest
2019	$ 40,057	$ 66,077	$ 20,981	$ 44,716
2020	34,892	65,375	19,430	43,783
2021	39,571	56,608	18,727	42,815
2022	50,020	46,521	19,340	41,779
2023	49,821	44,126	20,184	40,669
2024-2028	160,277	192,176	116,288	182,762
2029-2033	180,899	141,829	148,361	139,606
2034-2038	176,279	90,145	188,716	84,915
2039-2043	169,381	36,438	172,789	20,810
2044-2046	63,360	4,362		
Subtotal	964,557	$ 743,657	724,816	$ 641,855
Add: Accretions	33,617			
Unamortized bond premiums	80,228		31,275	
Total certificates of participation and bonds	$ 1,078,402		$ 756,091	

Tobacco Settlement Asset-Backed Bonds

In 2006, the County entered into a Sale Agreement with the Los Angeles County Securitization Corporation (LACSC) under which the County relinquishes to the LACSC a portion of its future tobacco settlement revenues (TSRs) for the next 40 years. The County received from the sold TSRs a lump sum payment of $ 319,827,000 and a residual certificate in exchange for the rights to receive and retain 25.9% of the County's TSRs through 2046. The residual certificate represented the County's ownership interest in excess TSRs to be received by the LACSC during the term of the Sale Agreement. Residuals through 2018 were $131,514,000. The total TSRs sold, based on the projected payment schedule in the Master Settlement Agreement and adjusted for historical trends, was estimated to be $ 1.438 billion. The estimated present value of the TSRs sold, net of the expected residuals and assuming a 5.7% interest rate at the time of the sale, was $309,230,000. In the event of a decline in the tobacco settlement revenues for any reason, including the default or bankruptcy of a participating cigarette manufacturer, resulting in a decline in the tobacco settlement revenues and possible default on the Tobacco Bonds, neither the California County Tobacco Securitization Agency, the County, nor the LACSC has any liability to make up any such shortfall.

11. LONG-TERM OBLIGATIONS-Continued

Tobacco Settlement Asset-Backed Bonds-Continued

Principal and interest requirements (in thousands) for the Tobacco Settlement Asset-Backed bonds are as follows:

Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest
2019	$	$ 19,194
2020		19,194
2021	22,115	19,194
2022		17,136
2023		17,136
2024-2028		85,680
2029-2033	46,370	69,311
2034-2038	62,196	60,223
2039-2043	53,157	38,737
2044-2046	97,824	16,173
Subtotal	281,662	$ 361,978
Add: Accretions	118,423	
Total tobacco settlement asset-backed bonds	$ 400,085	

Notes, Loans, and Lease Revenue Obligation Notes

Notes and Loans

BANs are issued by the LACCAL to provide interim financing for equipment purchases. BANs are purchased by the County Treasury Pool and are payable within five years. In addition, the BANs are issued with a formal agreement that, in the event they are not liquidated within the five-year period, they convert to capital lease obligations with a three-year term secured by County real property. During FY 2017-2018, LACCAL, an Internal Service Fund, issued additional BANs in the amount of $20,000,000 as reflected in governmental activities and $0 as reflected in business-type activities.

Marina del Rey loans were obtained from the California Department of Boating and Waterways for the restoration and renovation of the marina seawall. The loans are secured by Marina del Rey lease revenue and by Los Angeles County Music Center parking revenues.

In June 2010, the Board approved a resolution authorizing the Waterworks Districts to obtain Safe Drinking Water State Revolving loans in the amount of $3,410,000 and $5,473,000 from the California Department of Public Health to fund the Sepulveda Feeder Interconnection project (Malibu) and the Marina del Rey Waterline Replacement project (Marina), respectively. The loans will be repaid over 20 years and are secured by revenues from surcharges collected for capital improvements. Annual

11. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Lease Revenue Obligation Notes-Continued

Notes and Loans-Continued

principal and interest payments of the loans are expected to require less than 46.73% of the annual surcharge revenues. During FY 2017-2018, the County did not obtain any additional loans. As of June 30, 2018, total loans drawn are $3,396,000 on the Sepulveda Feeder Interconnection project and $5,473,000 on the Marina del Rey Waterline Replacement project.

In July 2014, the Board approved the Whiteman Airport Leasehold Interest Acquisition Project, with a total Project cost of $4,020,000. To partially finance the acquisition, the Aviation Fund obtained an Airport Development Loan from the State of California Department of Transportation, Aeronautics Program for $2,000,000 with an annual interest rate of 2.95%. The Airport Development Loan will be repaid over 17 years with revenue generated by rental income. During FY 2017-2018, the County did not obtain any additional airport development loans.

Lease Revenue Obligation Notes

Lease revenue obligation notes (LRON) provide the County with a flexible and cost-effective source of financing to provide interim funding during the initial construction phase of a capital project, which may be refinanced with the issuance of long-term bonds upon completion. Repayment of LRON are secured by two irrevocable direct-pay letters of credit (LOC) from separate banks supporting the issuance of LRON, and one revolving credit facility with an additional bank supporting the issuance of direct placement revolving notes. This program is secured by sixteen County-owned properties pledged as collateral in a lease-revenue financing structure with the LACCAL. The LOCs and the revolving credit facility were issued for a three-year period and have a termination date of April 12, 2019. The County has the option to extend the LOCs and the revolving credit for an additional one-year period or to some other term mutually agreed to with the participating banks.

The aggregate maximum principal amount of the two LOCs is $300,000,000, which consists of $100,000,000 of Series A (Bank of the West), and $200,000,000 of Series B (U.S. Bank). The maximum principal amount of the Series C (Wells Fargo) direct placement revolving credit facility is $200,000,000. The County is responsible for the payment of a non-refundable letter of credit fee for each LOC and a non-refundable commitment fee for the revolving credit facility on a quarterly basis in an amount equal to the rate per annum corresponding to the lowest long-term unenhanced debt ratings assigned by any of Moody’s, S&P, or Fitch to any Lease Obligation Debt of the County. The letter of credit fee for Series A is equal to 0.35% of the maximum principal amount of the LOC. For Series B, the letter of credit fee is equal to 0.43% of the maximum principal amount of the LOC. The commitment fee for the Series C revolving notes issued through the Wells Fargo credit facility is equal to 0.30% of the maximum principal amount. As of June 30, 2018, $324,590,000 of LRON issued under the program were outstanding, including $98,090,000 of Series A, $200,000,000 of Series B, and $26,500,000 of Series C.

11. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Lease Revenue Obligation Notes-Continued

Lease Revenue Obligation Notes-Continued

LRON are issued as variable rate instruments with a maximum term not to exceed 270 days. On the maturity date of LRON, the notes are reissued at the prevailing interest rates in the note market, which reflects the term of the note and the perceived credit quality of the supporting letter of credit bank. During FY 2017-2018, the County redeemed $1,910,000 and reissued $32,732,000 for governmental activities and reissued $159,728,000 for business-type activities, representing the total amounts outstanding at the beginning of the year. These reissues, along with an additional $132,130,000 of new County LRON, which is reported as $42,757,000 for governmental activities and $89,373,000 for business-type activities, are reflected as notes payable. The total outstanding LRON as of June 30, 2018 is $324,590,000, which is reported as $75,489,000 for governmental activities and $249,101,000 for business-type activities. The average interest rate on LRON issued in FY 2017-2018 was 1.06%.

Principal and interest requirements on NPC BANS, Marina del Rey Loans and LRON for governmental activities and NPC BANS, Waterworks District Loans, Aviation Loan and LRON for business-type activities are as follows (in thousands):

Year Ending	Governmental Activities		Business-type Activities	
June 30	Principal	Interest	Principal	Interest
2019	$ 79,998	$ 593	$ 250,835	$ 134
2020	20,995	550	492	208
2021	1,039	505	504	196
2022	1,086	458	516	184
2023	1,135	410	528	171
2024-2028	6,489	1,234	2,841	657
2029-2033	1,478	67	3,054	293
2034-2035			804	19
Total notes, loans, and LRON	$ 112,220	$ 3,817	$ 259,574	$ 1,862

11. LONG-TERM OBLIGATIONS-Continued

Summary-All Future Principal, Interest and Accretions

The following summarizes total future principal and interest requirements for the various debt issues referenced above (in thousands):

	Governmental Activities		Business-type Activities	
Debt Type	Principal	Interest	Principal	Interest
Assessment bonds	$ 26,575	$ 1,391	$	$
Certificates of participation and bonds	964,557	743,657	724,816	641,855
Tobacco settlement asset-backed bonds	281,662	361,978		
Notes, loans, and LRON	112,220	3,817	259,574	1,862
Subtotal	1,385,014	$ 1,110,843	984,390	$ 643,717
Add: Accretions	152,040			
Unamortized premiums on bonds payable	82,158		31,275	
Total bonds and notes	$ 1,619,212		$ 1,015,665	

Long-term liabilities recorded in the government-wide statement of net position include accreted interest on zero coupon bonds and unamortized bond premiums.

Bonds Defeased in Prior Years

In prior years, various debt obligations, consisting of bonds and certificates of participation, were defeased by placing the proceeds of refunding bonds in an irrevocable trust to provide for all future debt service payments on the old obligations. GASB 86 requires that debt also be considered defeased when cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust to extinguish debt (Note 2). Accordingly, the trust account assets and the related debt service payments for the defeased bonds would not be reflected in the County's statement of net position. At June 30, 2018, there were no outstanding bonds and certificates of participation considered defeased.

11. LONG-TERM OBLIGATIONS-Continued

Changes in Long-term Liabilities

The following is a summary of long-term liabilities and corresponding activity for the year ended June 30, 2018 (in thousands):

	Balance July 1, 2017	Additions/ Accretions	Transfers/ Maturities	Balance June 30, 2018	Due Within One Year
Governmental activities:					
Bonds and notes payable	$ 1,388,537	95,489	99,012	$ 1,385,014	$ 133,010
Add: Unamortized premium on bonds payable	83,846		1,688	82,158	2,060
Total bonds and notes payable	1,472,383	95,489	100,700	1,467,172	135,070
Interest accretion on capital appreciation bonds payable	158,759	3,384	10,103	152,040	13,635
Other long-term liabilities:					
Capital lease obligations (Note 10)	151,941	17,661	6,996	162,606	7,061
Accrued compensated absences	1,463,066	201,775	107,383	1,557,458	94,981
Workers' compensation (Note 18)	2,309,735	622,898	423,198	2,509,435	421,809
Litigation and self-insurance (Note 18)	212,540	75,565	80,382	207,723	118,412
Pollution remediation obligation (Note 19)	22,081	30,173	6,232	46,022	3,830
Net pension liability (Note 8)	8,831,107	390,590		9,221,697	
Net OPEB liability, as restated (Note 2, 9)	22,012,693		196,880	21,815,813	
Third party payor	61,504	31,392	38,590	54,306	39,936
Total governmental activities	$36,695,809	1,468,927	970,464	$ 37,194,272	$ 834,734
Business-type activities:					
Bonds and notes payable	$ 917,351	249,101	182,062	$ 984,390	$ 271,816
Add: Unamortized premium on bonds payable	32,004		729	31,275	1,157
Total bonds and notes payable	949,355	249,101	182,791	1,015,665	272,973
Other long-term liabilities:					
Capital lease obligations (Note 10)		276	41	235	70
Accrued compensated absences	213,663	27,742	15,791	225,614	14,366
Workers' compensation (Note 18)	329,818	56,331	37,156	348,993	37,453
Litigation and self-insurance (Note 18)	88,979	11,360	8,789	91,550	26,661
Net pension liability (Note 8)	1,441,564	186,670		1,628,234	
Net OPEB liability, as restated (Note 2, 9)	4,550,039		43,709	4,506,330	
Third party payor (Note 14)	1,052,496	248,255	567,654	733,097	269,624
Total business-type activities	$ 8,625,914	779,735	855,931	$ 8,549,718	$ 621,147

11. LONG-TERM OBLIGATIONS-Continued

Changes in Long-term Liabilities-Continued

For governmental activities, the General Fund, the Fire Protection District Special Revenue Fund and the County Library Special Revenue Fund have typically been used to liquidate workers' compensation, accrued compensated absences, pension, OPEB, and litigation and self-insurance.

Bond interest accretions for deep discount bonds have been included in the amounts reported for Bonds and Notes. Accretions decreased during FY 2017-2018, thereby decreasing liabilities for Bonds and Notes by $6,719,000 for governmental activities. Note 18 contains information about changes in the combined current and long-term liabilities for workers' compensation and litigation and self-insurance.

Discretely Presented Component Unit

Long-term debt obligations and corresponding activity for the CDC discretely presented component unit for the year ended June 30, 2018, was as follows (in thousands):

	July 1, 2017	Additions	Maturities	Balance June 30, 2018	Due Within One Year
Governmental activities:					
Bonds and notes payable	$ 17,535	511	2,660	$ 15,386	$ 2,509
Compensated absences	856	1,120	1,073	903	812
Capital lease obligations	29	1,172	221	980	245
Claims payable	4,237	2,632	2,323	4,546	455
Net pension liability	15,967	8,500	1,947	22,520	
Net OPEB liability, as restated (Note 2)	3,000	181	1,073	2,108	
Total governmental activities	$ 41,624	14,116	9,297	$ 46,443	$ 4,021
Business-type activities:					
Bonds and notes payable	$ 37,005		665	$ 36,340	$ 700
Compensated absences	734	947	907	774	697
Net pension liability	11,942	6,733	1,793	16,882	
Net OPEB liability, as restated (Note 2)	470	28	168	330	
Total business-type activities	$ 50,151	7,708	3,533	$ 54,326	$ 1,397
Total long-term obligations	$ 91,775	21,824	12,830	$ 100,769	$ 5,418

12. SHORT-TERM DEBT

On July 3, 2017, the County issued $800,000,000 of short-term Tax and Revenue Anticipation Notes at an effective interest rate of 0.90%. The proceeds of the notes were used to assist with County General Fund cash flow needs prior to the first major apportionment of property taxes, which occurred in December 2017. The notes matured and were redeemed on June 29, 2018.

13. CONDUIT DEBT OBLIGATIONS

Community Facilities and Improvement District Bonds

As of June 30, 2018, various community facilities and improvement districts established by the County had outstanding special tax bonds payable totaling $28,047,000 and limited obligation improvement bonds totaling $2,372,000. The bonds were issued to finance the cost of various construction activities and infrastructure improvements, which have a regional or direct benefit to the related property owners.

The bonds do not constitute an indebtedness of the County and are payable solely from special taxes and benefit assessments collected from property owners within the districts. In the opinion of County officials, these bonds are not payable from any revenues or assets of the County and neither the full faith and credit of the County, the State or any political subdivision thereof is obligated to the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded in the accompanying basic financial statements.

The County functions as an agent for the districts and bondholders. Debt service transactions related to the various bond issues are reported in the agency funds. Construction activities are reported in the Improvement Districts' Capital Projects Fund.

Industrial Development and Other Conduit Bonds

Industrial development bonds, and other conduit bonds, have been issued to provide financial assistance to private sector entities and nonprofit corporations for the acquisition of industrial and health care facilities, which provide a public benefit. The bonds are secured by the facilities acquired and/or bank letter of credit and are payable solely from project revenue or other pledged funds. The County is not obligated in any manner for the repayment of the bonds. Accordingly, no liability has been recorded in the accompanying basic financial statements.

As of June 30, 2018, the amount of industrial development and other conduit bonds outstanding was $69,060,000.

Redevelopment Refunding Bonds

The County of Los Angeles Redevelopment Refunding Authority, a joint powers authority between the County and the Public Works Financing Authority, was established to issue bonds that would enable successor agencies to former redevelopment agencies within the County to refund their outstanding tax allocation bonds in order to achieve debt service savings and to provide significant economies of scale through reduced costs of issuance and lower interest rates. The bonds are secured by a lien on future tax revenues of successor agencies. The County is not obligated in any manner for the repayment of the bonds. Accordingly, no liability has been recorded in the accompanying basic financial statements.

As of June 30, 2018, the amount of redevelopment refunding bonds outstanding was $669,427,000.

14. HOSPITAL AND OTHER PROGRAM REVENUES

Net patient service revenue is reported at the estimated net realizable amounts from patients, third party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Medi-Cal Demonstration Project: Medi-Cal 2020

On December 30, 2015, the federal Centers for Medicaid and Medicare Services (CMS) approved the special terms and conditions (STCs) for Medi-Cal 2020 - a five-year renewal of California's Section 1115(a) Medi-Cal Demonstration Project, which provides California with new federal funding through programs with an intent to shift focus away from hospital-based and inpatient care, towards outpatient, primary, and preventative care. Medi-Cal 2020 covers the period January 1, 2016 to December 31, 2020.

Revenues for the public hospitals under Medi-Cal 2020 are composed of:

1) Global Payment Program
2) Public Hospitals Redesign and Incentives in Medi-Cal
3) Whole Person Care

Global Payment Program

The Global Payment Program (GPP) is a payment reform program that aims to change the way county-owned and operated Public Hospital Systems (PHS) in California are compensated for providing care to the remaining uninsured. The program encourages a shift away from cost-based, hospital-centric models of care, through financial incentives to provide cost-effective primary and specialty care.

The GPP funds are comprised of Disproportional Share Hospital (DSH) funds that otherwise would have been allotted to a PHS, and Safety Net Uncompensated Care Pool (SNCP). DSH is a federal program to support safety-net hospital caring for a disproportionate share of low-income patients. SNCP was established under California's 2005 waiver to support services provided to uninsured patients. The GPP lifts restrictions that have historically impeded providing services for the remaining uninsured in the most appropriate setting for each patient, and now includes non-traditional methods of care delivery that have not been covered under either program.

The shift from volume to value is done through a value-based point methodology, which takes into account both the value of care to the patient, and the recognition of costs to the health care system.

Each participating PHS has an opportunity to earn a global budget for care to the remaining uninsured, and must meet service thresholds to receive full funding. Points are assigned to services in the following categories:

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Project: Medi-Cal 2020-Continued

Global Payment Program-Continued

- Traditional Outpatient (e.g., primary or specialty care visit, dental, ER/urgent care, mental health visit)
- Non-Traditional Outpatient (e.g., health coaching, care navigation, community wellness encounters)
- Technology-Based Outpatient (e.g., nurse advice line, email consultation, provider-to-provider eConsult for specialty care)
- Inpatient and Facility Stays (e.g., trauma care, ICU stays, recuperative care, respite care, sober center stays, skilled nursing facility stays).

The County provides funding for the State of California's (State's) share of the program by "using Intergovernmental Transfers (IGTs)" to draw down federal matching funds.

The estimated GPP revenues and related IGTs recorded in FY 2017-2018, in thousands, were as follows:

	GPP Revenues	Intergovernmental Transfers Expense
Harbor-UCLA Medical Center	$ 342,431	$ 176,969
Olive View-UCLA Medical Center	149,586	80,118
LAC+USC Medical Center	588,081	364,571
Rancho Los Amigos National Rehab Center	52,449	35,927
Total	$ 1,132,547	$ 657,585

The General Fund received $100.21 million for GPP, which was recorded as "Charges for Services" revenue on the governmental funds statement.

Public Hospital Redesign and Incentives in Medi-Cal

The Public Hospital Redesign and Incentives in Medi-Cal (PRIME) program is the successor to the 2010 Bridge to Reform waiver's Delivery System Reform Incentive Program (DSRIP), a pay-for-performance program that improves care delivery to prepare California's PHS for an influx of newly covered patients through the implementation of the Affordable Care Act (ACA).

PRIME directs PHS, district, and municipal hospitals to use evidence-based quality improvement methods to achieve ambitious, year-over-year performance targets. All federal funding for this program is contingent on meeting these targets.

Efforts within PRIME include (1) increasing the capability to furnish patient-centered, data driven, team-based care, (2) improving the capacity to provide point-of-care services, complex care management and population health management, (3) improving population and health outcomes, (4) high quality care that integrates physical and behavioral health services in the most appropriate setting and (5) moving towards value-based payments. The estimated revenues below, in thousands, were recorded as "other operating revenues" in FY 2017-2018:

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Project: Medi-Cal 2020-Continued

Public Hospital Redesign and Incentives in Medi-Cal-Continued

	PRIME Revenues	Intergovernmental Transfers Expense
Harbor-UCLA Medical Center	$ 170,303	$ 128,200
Olive View-UCLA Medical Center	109,137	50,656
LAC+USC Medical Center	69,466	59,151
Rancho Los Amigos National Rehab Center	69,635	44,997
Total	$ 418,541	$ 283,004

The General Fund received $147.47 million for PRIME, and was recorded as "Intergovernmental Revenue Federal" on the governmental funds statement.

Whole Person Care

Whole Person Care (WPC) pilot program focuses on coordination of health, behavioral health, and social services in a patient-centered manner with the goals of improved beneficiary health and well-being through more efficient and effective use of resources.

WPC program is on a calendar year basis, starting with 2016. The General Fund received $156.08 million for WPC revenues, which were recorded as "Intergovernmental Revenue Federal" on the governmental funds statement. In addition, the General Fund recorded $92.49 million of WPC IGT expenditures, which were recorded as health and sanitation expenditures on the governmental funds statement.

Medi-Cal Demonstration Project: Bridge to Reform

Bridge to Reform was approved in November 2010 by CMS, pursuant to Section 1115(a) of the Social Security Act. This waiver affected many aspects of Medi-Cal revenue for the County hospitals and clinics including the financing methods by which the State drew down federal matching funds. Bridge to Reform covered the period November 1, 2010 to October 31, 2015, with a temporary extension to December 31, 2015.

Although DSH and SNCP ended in FY2014-2015, the Department of Health Care Services (DHCS) has yet to perform the final reconciliation for various program years. In FY 2017-2018, the financial impact of these programs is immaterial.

Low Income Health Program (LIHP) / Healthy Way LA (HWLA) Out-of-Network (OON)

On January 21, 2014, the Board authorized DHS to make an IGT to fund the non-federal share of supplemental payments to private hospitals for OON emergency care and post-stabilization services provided to the LIHP's MCE population. However, DHCS recently notified DHS that CMS denied the LIHP OON supplemental payment. Therefore, the accrual for the prior years IGTs, amounting to $6.02 million was eliminated.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Managed Care for Seniors and Persons with Disabilities

Under the Medi-Cal Demonstration Project, in an effort to provide more coordinated care and contain costs, Medi-Cal beneficiaries who are Seniors and Persons with Disabilities (SPDs) are required to enroll in managed care plans, rather than using a fee for service system. In FY 2017-2018, an estimated $134.77 million of SPD revenues were recorded as part of net patient service revenue.

The Medi-Cal Demonstration Project required the County to make IGTs to the State to fund the non-federal share of Medi-Cal inpatient payments for the SPD managed care population. Expenses associated with such IGTs were negative $1.89 million in FY 2017-2018 due to IGT adjustments to close out the prior year for the program that ended in FY 2016-2017.

The General Fund received $0.01 million for SPD, which were recorded as "Charges for Services" revenue on the governmental funds statement.

Affordable Care Act

On January 1, 2014, when the federal health care reform of the Patient Protection went into effect, the Hospital Presumptive Eligibility program also provided individuals with temporary Medi-Cal benefits while a formal, permanent Medi-Cal application is being processed.

Medicaid Coverage Expansion

The Medicaid Coverage Expansion (MCE), also known as the Optional Medicaid Expansion program, provides Medi-Cal coverage for adult citizens or legal residents (ages 19-64) who are uninsured and have incomes at or below 138% of the Federal Property Level. The Federal Medical Assistance Percentage (FMAP) for the MCE Program is 100% from July 1, 2016 through December 31, 2016, 95% from January 1, 2017 through December 31, 2017, and 94% effective January 1, 2018.

During FY2017-2018, LA Care Health Plan (LA Care), one of the health plans which subcontracts with the County to provide services for their Medi-Cal managed care members, continued to pay the County managed care capitation payments based on the FY 2016-2017 contract rates. The two organizations worked together to determine the new rates and the negotiated rates were finalized in September 2018 but the agreements have not yet been executed. For the MCE capitated lives, the official MCE rates decreased for FY2017-2018. The County will pay back LA Care in FY 2018-2019 approximately $193.88 million, which was reflected as third party payor liability due within one year. Refer to Third Party Payor Liability section of this Note below for additional information.

In FY 2017-2018, the total estimated MCE revenues and related estimated IGTs, including prior year over/under-realization were as follows (in thousands):

	Program Revenues	Intergovernmental Transfers Expense
MCE	$ 309,017	$ 27,100
MCRS - MCE	95,423	7,886
Total	$ 404,440	$ 34,986

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs

Medi-Cal Fee-For-Service

The Medi-Cal Demonstration Project restructured the financing method by which the State draws down federal matching funds for the inpatient hospital fee-for service (FFS) to cost-based reimbursement. The nonfederal share of the Medi-Cal FFS are provided by the hospitals primarily through certified public expenditures (CPE) whereby the hospital expends its local funding for services to draw down the federal financing participation, currently provided at a 50% match. For FY 2017-2018, an estimated $390.28 million of Medi-Cal FFS revenues were recorded as part of net patient service revenue.

Medi-Cal Physician State Plan Amendment

The Medi-Cal Demonstration Project payment for inpatient and other facility services excluded professional services. State Plan Amendment 05-23 allows professional services provided by public entities to be paid similarly to the inpatient hospital services under the Medi-Cal Demonstration Project. Hospitals are allowed to claim federal reimbursement for unreimbursed costs of Medi-Cal professional services (Hospital Inpatient, Emergency Room, and Psychiatric services), which is matched at the applicable FMAP rate for the year.

Revenues of $23.28 million were recognized and recorded as part of net patient service revenue during FY 2017-2018 and included adjustments for the over/under-realization of revenues associated with FYs 2006-2007 through FY2009-2010 and FYs 2014-2015 through FY2016-2017.

Cost Based Reimbursement Clinics

Cost Based Reimbursement Clinics (CBRC) reimburses 100% of allowable costs for outpatient services provided to Medi-Cal beneficiaries at the County's hospital-based clinics, outpatient centers and Ambulatory Care Network health centers (excluding clinics that provide predominately public health services). CBRC revenues in FY 2017-2018 were $241.61 million. As of June 30, 2018, the County estimated that approximately $132.19 million of CBRC accounts receivable would not be collectible within 12 months and this amount is classified as a noncurrent asset in the proprietary fund statements of net position for each hospital. Liabilities associated with CBRC are discussed in the Third Party Payor Liability section of this Note.

The General Fund received $1.19 million for CBRC, which was recorded as "Charges for Services" revenue on the governmental funds statement.

Medi-Cal Cost Report Settlements

In FY 2017-2018, the County recognized favorable audit settlements of $113.36 million related to FY 2012-2013, FY 2014-2015, and FY 2015-2016. The County’s various level appeals to the Office of Administrative Appeals of certain audit adjustments have been favorably resolved resulting in $4.57 million of final settlement revenues.

The State auditors are in the process of auditing the FY 2016-2017 cost reports and settlements are expected by the 4th quarter of FY 2018-2019.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs-Continued

Medi-Cal Managed Care Rate Supplements

The State is obtaining CMS' approval to continue the Medi-Cal Managed Care Rate Supplements (MCRS) paid to LA Care and Health Net Health Plans for FY 2017-2018. The supplements are funded by IGTs made by the County. The County does not receive the supplemental payments directly from the State; rather, the State contracts with LA Care and Health Net, which then subcontract for services with various provider networks.

In addition, in order to receive the supplemental payments, the County is required by Welfare and Institutions Code Section 14301.4, to pay the State a 20% administrative fee that is assessed on the full amount of the IGTs. This amount is also recorded as part of the IGT.

The total estimated managed care rate supplement revenues and related estimated IGTs recorded in FY 2017-2018, including prior year over/under realization, were as follows (in thousands):

	MCRS Revenues	Intergovernmental Transfers Expense
LA Care	$ 189,024	$ 73,668
Health Net	80,173	37,863
Total	$ 269,197	$ 111,531

Managed Care Rule

On April 25 2016, CMS published the Medicaid and Children's Health Insurance Program (CHIP) Managed Care Final Rule. The rule, many provisions of which went into effect July 1, 2017, is an update to the regulatory framework for Medicaid, aligning it as much as possible with Medicare and other commercial insurance requirements for issues like rate setting, access standards, grievances and appeals, and quality.

The managed care rule limits the ability of states to direct payments to health care providers, unless certain conditions are met. Among the allowable exceptions are payments tied to performance, and payments that provide a uniform payment increase which includes a pre-determined increase over contracted rates. The previous SPD-SB208 and AB85 MCE-to-Cost programs did not meet these conditions. In order to retain this critical funding, the following two programs were introduced:

1. Enhanced Payment Program
2. Quality Incentive Program

Enhanced Payment Program

The Enhanced Payment Program (EPP) creates a funding to be used to supplement the base rates public health care systems receive through Medi-Cal managed care contracts, meant to meet the managed care rule’s exception that allows payments that provide a uniform increase within a class of providers such as a predetermined increase over contracted rates.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs-Continued

Managed Care Rule-Continued

Enhanced Payment Program-Continued

Enhanced payments public health care systems would be eligible to receive depend largely on systems' existing payment arrangements with their managed care plans. Under the proposed structure, health plans would receive an add-on to their managed care rates and would provide interim payments to providers throughout the year. Payments would be reconciled at the end of the year, protecting health plans from any risk associated with payment.

At FY 2017-2018 year-end, the estimated EPP revenues and related IGTs are as follows (in thousands):

	EPP Revenues	Intergovernmental Transfers Expense
Harbor-UCLA Medical Center	$ 155,941	$ 19,021
Olive View-UCLA Medical Center	95,202	14,162
LAC+USC Medical Center	190,019	20,988
Rancho Los Amigos National Rehab Center	5,979	1,386
Total	$ 447,141	$ 55,557

Quality Incentive Program

The Quality Incentive Program (QIP) is meant to meet the Managed Care Rule's exception that allows payments tied to performance.

The QIP represents a new pay for performance program for California's public health care systems that would convert funding from previously-existing supplemental payments into a value-based structure. QIP payments are tied to the achievement of performance on a set of clinically-established quality measures for Medi-Cal managed care enrollees.

The QIP is structured similar to the PRIME program. The QIP's measures do not directly overlap with any of the quality measures being used in PRIME, but are designed to be complementary.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs-Continued

Managed Care Rule-Continued

Quality Incentive Program-Continued

At FY 2017-2018 year-end, the estimated QIP revenues and related IGTs are as follows (in thousands):

	QIP Revenues	Intergovernmental Transfers Expense
Harbor-UCLA Medical Center	$ 47,212	$ 23,606
Olive View-UCLA Medical Center	27,690	13,845
LAC+USC Medical Center	55,103	27,551
Rancho Los Amigos National Rehab Center	9,145	4,573
Total	$ 139,150	$ 69,575

Third Party Payor Liability

The County's Hospitals reported third party payor liabilities of $733.10 million (see Note 11) as of June 30, 2018, as reported on the statement of net position for proprietary funds. The current liabilities for amounts due within one year are $269.63 million. Due to a decrease in MCE rates for FYs 2015-2016 and 2016-2017, the County will pay back LA Care in FY 2018-2019 approximately $193.88 million. In addition, it is estimated that the County's Hospitals will pay $1.62 million in additional CBRC unallowable costs in FY 2018-2019.

The noncurrent liabilities for third party payors are $463.47 million. The primary programs associated with third party payors liabilities include DSH ($239.36 million), Medi-Cal ($75.36 million), SNCP ($54.95 million), Medicare ($68.74 million), SPD ($12.27 million) and other miscellaneous programs ($12.79 million).

Accounts Receivable-Net

The following is a summary, by hospital, of accounts receivable and allowances for uncollectible amounts as of June 30, 2018 (in thousands):

	H-UCLA	OV-UCLA	LAC+USC	Rancho	Total
Accounts receivable	$ 3,056,352	$ 1,832,175	$ 4,429,974	$ 717,854	$ 10,036,355
Less: Allowance for uncollectible amounts	2,316,690	1,387,453	3,600,514	509,411	7,814,068
Accounts receivable - net	$ 739,662	$ 444,722	$ 829,460	$ 208,443	$ 2,222,287

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Charity Care

Charity care includes those uncollectible amounts, for which the patient is unable to pay. Generally, charity care adjustment accounts are those accounts for which an indigence standard has been established and under which the patient qualifies. Inability to pay may be determined through the Department's Ability-to-Pay program, through other collection efforts by the Department, by the Treasurer and Tax Collector, or by an outside collection agency. Determinations of charity care may be made prior to, at the time of service, or any time thereafter. The total amount of such charity care provided by the hospitals for the year ended June 30, 2018 is as follows (in thousands):

Estimated cost of charity care	$	582,433
Charity care at established rates		1,060,335

Realignment

As a result of the ACA, the State of California (State) adopted and passed Assembly Bill 85 (AB85), as amended by Senate Bill 98, which lays out the process by which a portion of the 1991 County Health Realignment funds will be redirected to support Social Services programs based on a formula. The redirection is based on the assumption that the counties will decrease their cost for healthcare for the indigent population. These savings will be shared between the counties' health departments and the State. The sharing ratio is 80% State and 20% County for FYs 2014-2015 and beyond. AB85, as amended, provides a unique formula for the County to determine the amount to be redirected.

In FY 2017-2018, the State did not withhold any County's Health Realignment funds. This amount is expected to be reconciled against actual revenues and expenses for FY 2017-2018 within two years. The redirection amount will be subject to the State's review and approval. The financial impact of the potential redirection of realignment funding in future years is not yet known.

In FY 2016-2017, the State withheld $5.61 million from the County's Health Realignment funds. However, based on updated revenues realized for FY 2016-2017 services in FY 2017-2018, the projected redirection amount is $231.70 million. As a result, the "Intergovernmental Revenue State" revenue has been reduced by $226.09 million in the County's General Fund in FY 2017-2018.

In FY 2015-2016, the State withheld $100.73 million from the County's Health Realignment funds. However, based on updated revenues realized for FY 2015-2016 services in FY 2017-2018, the projected redirection amount is $314.31 million. As a result, the "Intergovernmental Revenue State" revenue has been reduced by $213.58 million in the County's General Fund in FY 2017-2018.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Martin Luther King, Jr. Community Hospital

The County and the University of California ("UC"), with the State, have created a wholly independent, non-profit 501(c)(3) entity, the Martin Luther King, Jr. - Los Angeles Healthcare Corporation (MLK-LA), to operate a new hospital at the MLK-MACC site. The hospital will: i) serve as a safety-net provider treating a high volume of Medi-Cal and uninsured patients and ii) be integrated with the County's existing network of specialty and primary care ambulatory clinics. The seven-member MLK Hospital Board of Directors was appointed by the County and UC in August 2010. The new MLK Community Hospital opened on May 14, 2015.

To assist with the opening of the MLK Hospital, the County provided MLK-LA with $50.00 million of coordination start-up funds, $39.10 million of grant funding, and $82.00 million of long-term loan funding, which includes a 30-year loan in the amount of $50.00 million, a 10-year revolving line of credit in the amount of $20.00 million, and a 2-year loan in the amount of $12.00 million. On January 5, 2016, the Board of Supervisors approved an additional short-term revolving loan in the amount of $40.00 million to assist MLK-LA with post-hospital opening expenses. All the loans have been repaid in full, with the exception of the 30-year loan, which has a current outstanding balance of $46.43 million. In addition, the DHS has committed to make ongoing annual payments of $18.00 million for indigent care support, and $50.00 million of intergovernmental transfers for the benefit of the MLK Hospital.

15. INTERFUND TRANSACTIONS

Interfund Receivables/Payables

Interfund receivables and payables have been eliminated in the government-wide financial statements, except for “internal balances” that are reflected between the governmental and business-type activities. The majority of the interfund balances resulted from the time lag between the time that (1) goods and services were provided; (2) the recording of those transactions in the accounting system; and (3) payments between the funds were made. Interfund receivables and payables have been recorded in the fund financial statements. Such amounts arise due to the exchange of goods or services (or subsidy transfers) between funds that were pending the transfer of cash as of June 30, 2018.

15. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Cash transfers related to interfund receivables/payables are generally made within 30 days after year-end. Amounts due to/from other funds at June 30, 2018 are as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Fire Protection District	$ 16,014
	Flood Control District	5,667
	County Library	4,304
	Regional Park and Open Space District	6,652
	Mental Health Services Act	230,933
	Nonmajor Governmental Funds	116,738
	Harbor-UCLA Medical Center	64,713
	Olive View-UCLA Medical Center	41,723
	LAC+USC Medical Center	154,625
	Rancho Los Amigos Nat'l Rehab Center	15,013
	Waterworks Enterprise Funds	419
	Nonmajor Aviation Funds	30
	Internal Service Funds	8,363
		665,194
Fire Protection District	General Fund	1,083
	Nonmajor Governmental Funds	1,256
		2,339
Flood Control District	General Fund	1,691
	Nonmajor Governmental Funds	1,381
	Waterworks Enterprise Funds	231
	Nonmajor Aviation Funds	32
	Internal Service Funds	11,784
		15,119
County Library	General Fund	15,106
	Fire Protection District	1
	Flood Control District	6
	Nonmajor Governmental Funds	82
		15,195

15. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Mental Health Services Act	General Fund	$ 1,623
Nonmajor Governmental Funds	General Fund	17,998
	Fire Protection District	2
	Flood Control District	28
	Nonmajor Governmental Funds	10,910
	Internal Service Funds	16,137
		45,075
Harbor-UCLA Medical Center	General Fund	65,324
	Fire Protection District	21
	Nonmajor Governmental Funds	28,142
	Olive View-UCLA Medical Center	7,036
	LAC+USC Medical Center	3,079
	Rancho Los Amigos Nat'l Rehab Center	950
		104,552
Olive View-UCLA Medical Center	General Fund	48,037
	Fire Protection District	163
	Nonmajor Governmental Funds	7,333
	Harbor-UCLA Medical Center	10,381
	LAC+USC Medical Center	10,999
	Rancho Los Amigos Nat'l Rehab Center	1,299
		78,212
LAC+USC Medical Center	General Fund	12,767
	Fire Protection District	114
	Nonmajor Governmental Funds	68,786
	Harbor-UCLA Medical Center	10,349
	Olive View-UCLA Medical Center	115
	Rancho Los Amigos Nat'l Rehab Center	7,799
		99,930

15. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Rancho Los Amigos Nat'l Rehab Center	General Fund	$ 19,324
	Fire Protection District	31
	Harbor-UCLA Medical Center	17
	LAC+USC Medical Center	15
		19,387
Waterworks Enterprise Funds	General Fund	53
	Internal Service Funds	1,464
		1,517
Nonmajor Aviation Funds	Fire Protection District	9
	Internal Service Funds	149
		158
Internal Service Funds	General Fund	25,094
	Fire Protection District	467
	Flood Control District	25,646
	Nonmajor Governmental Funds	36,690
	Harbor-UCLA Medical Center	2,473
	Olive View-UCLA Medical Center	51
	LAC+USC Medical Center	39
	Rancho Los Amigos Nat'l Rehab Center	1,432
	Waterworks Enterprise Funds	5,158
	Nonmajor Aviation Funds	879
		97,929
Total Interfund Receivables/Payables		$ 1,146,230

Interfund Transfers

Transfers were made during the year from the General Fund to subsidize the operations of the County Library and the four hospitals. Other transfers primarily consisted of payments from the various operating funds (principally the General Fund) to debt service funds in accordance with long-term debt covenants. In addition, special revenue funds that are statutorily restricted made transfers to other funds to augment funding for programs operated in the General Fund and hospitals.

15. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Interfund transfers to/from other funds for the year ended June 30, 2018 are as follows (in thousands):

Transfer From	Transfer To	Amount
General Fund	Fire Protection District	$ 1,590
	County Library	46,294
	Nonmajor Governmental Funds	106,051
	Harbor-UCLA Medical Center	217,612
	Olive View-UCLA Medical Center	187,796
	LAC+USC Medical Center	117,923
	Rancho Los Amigos Nat'l Rehab Center	6,943
	Internal Service Funds	181
		684,390
Fire Protection District	Nonmajor Governmental Funds	5,560
Flood Control District	Nonmajor Governmental Funds	23
	Internal Service Funds	2,784
		2,807
County Library	General Fund	1,326
	Nonmajor Governmental Funds	1,807
		3,133
Mental Health Services Act	General Fund	518,652
Nonmajor Governmental Funds	General Fund	196,683
	Fire Protection District	21,942
	Nonmajor Governmental Funds	15,243
	Harbor-UCLA Medical Center	55,386
	Olive View-UCLA Medical Center	28,893
	LAC+USC Medical Center	124,252
	Rancho Los Amigos Nat'l Rehab Center	10,726
	Internal Service Funds	3,152
		456,277
Harbor-UCLA Medical Center	Nonmajor Governmental Funds	347
	Rancho Los Amigos Nat'l Rehab Center	3,634
		3,981

15. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Transfer From	Transfer To	Amount
Olive View-UCLA Medical Center	Nonmajor Governmental Funds	$ 708
	Rancho Los Amigos Nat'l Rehab Center	15,522
		16,230
Rancho Los Amigos Nat'l Rehab Center	LAC+USC Medical Center	46,627
Waterworks Enterprise Funds	Nonmajor Governmental Funds	77
	Internal Service Funds	610
		687
Internal Service Funds	General Fund	10,907
	Harbor-UCLA Medical Center	3,652
	Olive View-UCLA Medical Center	2,311
	LAC+USC Medical Center	2,956
	Rancho Los Amigos Nat'l Rehab Center	2,365
		22,191
Total Interfund Transfers		$ 1,760,535

Interfund Advances

The General Fund, along with other funds that receive services from the Public Works Internal Service Fund, makes short-term advances to ensure sufficient cash is available to fund operations. In addition, the General Fund makes short-term and long-term advances to assist the Hospital Funds in meeting their cash flow requirements. The County estimates that a portion of Hospital revenue is not collectible within one year and has identified long-term receivables in each Hospital Enterprise Fund. To assist the Hospital Funds in meeting their cash flow requirements, the General Fund provided a $14.40 million long-term advance and classified a corresponding amount of fund balance as nonspendable balance.

15. INTERFUND TRANSACTIONS-Continued

Interfund Advances-Continued

Advances from/to other funds at June 30, 2018 are as follows (in thousands):

Receivable Fund	Payable Fund	Short-Term	Long-Term	Total
General Fund	Harbor-UCLA Medical Center	$ 77,439	$ 14,404	$ 91,843
	Olive View-UCLA Medical Center	2,331		2,331
	LAC+USC Medical Center	5,802		5,802
	Rancho Los Amigos Nat'l Rehab Center	21,988		21,988
	Internal Service Funds	2,876		2,876
		110,436	14,404	124,840
Flood Control District	Internal Service Funds	6,466		6,466
Nonmajor Governmental Funds	Internal Service Funds	11,323		11,323
Waterworks Enterprise Funds	Internal Service Funds	1,335		1,335
Total Interfund Advances		$ 129,560	$ 14,404	$143,964

16. BUDGETARY ACCOUNTING DIFFERENCES/RECONCILIATIONS BETWEEN THE BUDGETARY BASIS AND GAAP

The County's statement of revenues, expenditures and changes in fund balances-budget and actual on budgetary basis for the major governmental funds has been prepared on the budgetary basis of accounting, which is different from GAAP.

The amounts presented for the governmental funds statements are based on the modified accrual basis of accounting and differ from the amounts presented on a budgetary basis of accounting. The major areas of difference are as follows:

– For budgetary purposes, nonspendable, restricted, committed and assigned fund balances and the portion of unassigned fund balance reserved for the "Rainy Day" fund are recorded as other financing uses at the time they are established. The County recognizes them as uses of budgetary fund balance. The nonspendable, restricted, committed and assigned fund balances that are subsequently canceled or otherwise made available are recorded as changes in fund balance in other financing sources.

16. BUDGETARY ACCOUNTING DIFFERENCES/RECONCILIATIONS BETWEEN THE BUDGETARY BASIS AND GAAP-Continued

- Under the budgetary basis, revenues (primarily intergovernmental) are recognized at the time encumbrances are established for certain programs and capital improvements. The intent of the budgetary policy is to match the use of budgetary resources (for amounts encumbered, but not yet expended) with funding sources that will materialize as revenues when actual expenditures are incurred. Under the modified accrual basis, revenues are not recognized until the qualifying expenditures are incurred and amounts are collected within the County's availability period.

- For the General Fund, obligations for accrued compensated absences and estimated liabilities for litigation and self-insurance are recorded as budgetary expenditures to the extent that they are estimated to be payable within one year after year-end. Under the modified accrual basis of accounting, such expenditures are not recognized until they become due and payable in accordance with GASB Interpretation 6.

- In conjunction with the sale of Tobacco Settlement Asset-Backed bonds in FY 2005-2006, the County sold 25.9% of its future tobacco settlement revenues. Under the budgetary basis, the proceeds were recognized as revenues. Under the modified accrual basis, the proceeds were recorded as deferred inflows of resources and are being recognized over the duration of the sale agreement, in accordance with GASB 48 and 65. This matter is also discussed in Note 11, under the caption, "Tobacco Settlement Asset-Backed Bonds."

- Under the budgetary basis, property tax revenues are recognized to the extent that they are collectible within one year after year-end. Under the modified accrual basis, property tax revenues are recognized only to the extent that they are collectible within 60 days.

- For budgetary purposes, investment income is recognized prior to the effect of changes in the fair value of investments. Under the modified accrual basis, the effects of such fair value changes have been recognized.

- The County determined that certain assets were held by LACERA (the OPEB administrator) in an OPEB Agency Fund. For budgetary purposes, any excess payments (beyond the pay-as-you-go amount) are recognized as expenditures. Under the modified accrual basis, the expenditures are adjusted to recognize the OPEB Agency assets at June 30, 2018.

The following schedule is a reconciliation of the budgetary and GAAP fund balances for the major governmental funds (in thousands):

16. BUDGETARY ACCOUNTING DIFFERENCES/RECONCILIATIONS BETWEEN THE BUDGETARY BASIS AND GAAP-Continued

	General Fund	Fire Protection District	Flood Control District	County Library	Regional Park and Open Space District	Mental Health Services Act
Fund balance - budgetary basis	$ 1,929,332	$ 414	$ 66,675	$ 44,650	$ 151,753	$ 226,823
Budgetary fund balances	1,877,378	183,438	448,181	34,270	172,602	841,265
Subtotal	3,806,710	183,852	514,856	78,920	324,355	1,068,088
Adjustments:						
Accrual of estimated liability for litigation and self-insurance claims	173,934	412		283		
Accrual of compensated absences	81,756					
Unamortized balance of sale of tobacco settlement revenue	(222,747)					
Change in revenue accruals	(124,300)	(19,180)	(12,464)	(3,460)	(4,329)	(17,199)
Change in OPEB Agency Fund	179,838	10,571		1,670		
Subtotal	88,481	(8,197)	(12,464)	(1,507)	(4,329)	(17,199)
Fund balance - GAAP basis	$ 3,895,191	$ 175,655	$ 502,392	$ 77,413	$ 320,026	$ 1,050,889

17. OTHER COMMITMENTS

Construction and Other Significant Commitments

At June 30, 2018, there were contractual commitments of approximately $18.82 million for various general government construction projects and approximately $23.95 million for various hospital construction projects that were financed by bonds and lease revenue obligation notes.

LACERA Capital Commitments

At June 30, 2018, LACERA had outstanding capital commitments to various investment managers, approximating $4.800 billion.

17. OTHER COMMITMENTS-Continued

Encumbrances

The County uses "encumbrances" to control expenditure commitments for the year. Encumbrances represent commitments related to executory contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve applicable appropriations. Depending on the source(s) of funding, encumbrances are reported as part of restricted, committed or assigned fund balance on the governmental funds balance sheet. As of June 30, 2018, the encumbrance balances for the governmental funds (in thousands) are reported as follows:

	Restricted	Committed	Assigned	Total
General Fund	$	$	$ 435,779	$ 435,779
Fire Protection District	55,366			55,366
Flood Control District	106,418			106,418
County Library			16,200	16,200
Regional Park and Open Space District	75,134			75,134
Mental Health Services Act	1,134			1,134
Nonmajor Governmental Funds	114,591	6,296	2,717	123,604
Total Encumbrances	$ 352,643	$ 6,296	$ 454,696	$ 813,635

18. RISK MANAGEMENT

The County purchases insurance for certain risk exposures such as property, aviation, employee fidelity, boiler and machinery, cyber, catastrophic workers' compensation, art objects, volunteers, special events, public official bonds, crime, safety reserve employee death and disability, and fiduciary liability for the deferred compensation plans. There have been settlements related to these programs that exceeded self-insured retention in the last three years. Losses did not exceed coverage in FY 2015-2016, FY 2016-2017 or FY 2017-2018.

The County retains the risk for all other loss exposures. Major areas of risk include workers' compensation, medical malpractice, law enforcement, natural disasters, inverse condemnation, non-tort and tort liability. Expenditures are accounted for in the fund whose operations resulted in the loss. Claims expenditures and liabilities are reported when it is probable that a loss has been incurred and the amount of that loss, including those incurred but not reported, can be reasonably estimated. The County utilizes actuarial studies, historical data, and individual claims reviews to estimate these liabilities. The liabilities include estimable incremental claim adjustment expenses, net of salvage, and recovery/subrogation of approximately 10% of the total liability expenditures. They do not include other claim adjustment costs because the County does not believe it is practical or cost effective to estimate them.

18. RISK MANAGEMENT-Continued

As indicated in the following table, the County's workers' compensation balance as of June 30, 2018 was approximately $2.858 billion. This amount is undiscounted and is based on an actuarial study of the County's self-insured program as of June 30, 2018. Approximately $86.09 million of the total liabilities pertain to salary continuation payments and other related costs mandated by the State Labor Code.

As of June 30, 2018, the County's estimate of these liabilities is $3.158 billion. Changes in the reported liability since July 1, 2016 resulted from the following (in thousands):

	Beginning of Fiscal Year Liability	Current Year Claims and Changes In Estimates	Claim Payments	Balance At Fiscal Year-End
2016-2017				
Workers' Compensation	$ 2,432,994	$ 629,023	$ (422,464)	$ 2,639,553
Other	294,992	82,396	(75,869)	301,519
Total	$ 2,727,986	$ 711,419	$ (498,333)	$ 2,941,072
2017-2018				
Workers' Compensation	$ 2,639,553	$ 679,229	$ (460,354)	$ 2,858,428
Other	301,519	86,925	(89,171)	299,273
Total	$ 2,941,072	$ 766,154	$ (549,525)	$ 3,157,701

In addition to the above estimated liabilities, the County has determined that claims seeking damages of approximately $195.75 million are reasonably possible of creating adverse judgments against the County. Because of the uncertainty of their outcome, no loss has been accrued for these claims.

19. POLLUTION REMEDIATION

The County is involved in several remediation actions to clean up pollution sites within its boundaries. These matters generally coincide with the County's ownership of land, buildings and infrastructure assets. In some cases, regulatory agencies (e.g., Regional Water Quality Board, State Department of Toxic Control, California Coastal Commission) notified the County of the need for remedial action. In addition, the County conducts its own environmental monitoring and this activity identifies pollution sites and matters requiring further investigation and possible remediation. Once the County is aware of these conditions, it commences monitoring, assessment, testing and/or cleanup activities, and recognizes a pollution remediation obligation when estimates can reasonably be determined. The pollution remediation obligation is an estimate and is subject to revision because of price increases or reductions, changes in technology, or changes in applicable laws or regulations. The types of pollution that have been identified include leaking underground storage tanks, water, groundwater and soil contamination, asbestos and lead paint contamination, methane gas detection and excessive levels of other contaminants. Remediation efforts include developing remediation and feasibility studies, source identification studies, site testing, sampling and analysis, ground water cleanup, and removal of storage tanks, asbestos tiles and other hazardous materials.

19. POLLUTION REMEDIATION-Continued

As of June 30, 2018, the County's estimated pollution remediation obligation totaled $46.02 million. This obligation was associated with the County's governmental activities. Obligations of enterprise and internal service funds were immaterial. The estimated liability was determined by project managers, based on historical cost information for projects of the same type, size and complexity and measured at their current value. In subsequent periods, the County will adjust the estimated obligation when new information indicates that such changes are required. At this time, the County has determined there are no estimated recoveries reducing the obligation.

20. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred outflows and inflows of resources balances in the government-wide and the proprietary funds statement of net position as of June 30, 2018 are described as follows:

– The deferred outflows of resources, included on the government-wide statement of net position, relates to the unamortized losses on refunding of debt, changes in the net pension liability as discussed in Note 8, and changes in the net OPEB liability as discussed in Note 9. The unamortized losses on refunding of debt are a deferred charge on refunding resulting from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

– The deferred inflows of resources, included on the government-wide statement of net position, relates to the future installment payments of service concession arrangements as discussed in Note 7, from changes in the net pension liability as discussed in Note 8, and from changes in the net OPEB liability as discussed in Note 9.

Government-wide
Statement of Net Position (in thousands)

	Governmental Activities	Business-type Activities	Total
Deferred outflows of resources:			
Unamortized losses on refunding of debt	$ 15,928		$ 15,928
Pensions	3,666,454	652,688	4,319,142
OPEB	704,831	140,317	845,148
Total government-wide deferred outflows of resources	$ 4,387,213	793,005	$ 5,180,218
Deferred inflows of resources:			
Service concession arrangements	$ 86,627		$ 86,627
Pensions	853,663	124,163	977,826
OPEB	1,507,145	310,206	1,817,351
Total government-wide deferred inflows of resources	$ 2,447,435	434,369	$ 2,881,804

20. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES-Continued

Proprietary Funds
Statement of Net Position (in thousands):

	H-UCLA	OV-UCLA	LAC+USC	Rancho	Total	ISF Funds
Deferred outflows of resources:						
Pensions	$ 202,507	127,325	267,117	55,739	$ 652,688	$ 136,096
OPEB	41,701	29,052	58,992	10,572	140,317	24,437
Total proprietary funds deferred outflows of resources	$ 244,208	156,377	326,109	66,311	$ 793,005	$ 160,533
Deferred inflows of resources:						
Pensions	$ 36,543	24,023	50,660	12,937	$ 124,163	$ 31,694
OPEB	89,489	55,123	132,951	32,643	310,206	70,524
Total proprietary funds deferred inflows of resources	$ 126,032	79,146	183,611	45,580	$ 434,369	$ 102,218

Deferred outflows and inflows of resources balances in the governmental funds balance sheet as of June 30, 2018 are described as follows:

– The intra-entity sales of future tobacco settlement revenues are reported as deferred inflows of resources in the General Fund and deferred outflows of resources in the nonmajor governmental funds.

– Under the modified accrual basis of accounting, earning revenues during the current period is not sufficient for revenue recognition in the current period. Revenue must also be susceptible to accrual (i.e., measurable and available to finance expenditures of the current period). Governmental funds report revenues not susceptible to accrual as deferred inflows of resources. The County has included two such items, which are property tax revenues to be collected beyond the 60 day accrual period, plus other long-term receivables, related mostly to SB90 claims, expected to be collected beyond the 12 month accrual period.

Governmental Funds
Balance Sheet (in thousands):

	General Fund	Fire Protection District	Flood Control District	County Library	Regional Park and Open Space District	Nonmajor Funds	Total
Deferred outflows of resources -							
Tobacco settlement revenues	$					222,747	$ 222,747
Deferred inflows of resources:							
Tobacco settlement revenues	$ 222,747						$ 222,747
Property tax revenues	119,077	26,938	8,177	4,404	3,504	7,934	170,034
Other long-term receivables	85,072	4,530				8,980	98,582
Total governmental funds deferred inflows of resources	$ 426,896	31,468	8,177	4,404	3,504	16,914	$ 491,363

21. FUND BALANCES

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned as described in Note 1. A detailed schedule of fund balances for all the major and nonmajor governmental funds at June 30, 2018 (in thousands) is as follows:

	General Fund	Fire Protection District	Flood Control District	County Library	Regional Park and Open Space District	Mental Health Services Act	Nonmajor Government Funds
Fund Balances:							
Nonspendable:							
Inventories	$ 52,964	13,382	1	440			1
Long-term receivables	83,926						
Permanent fund principal							2,155
Total Nonspendable	136,890	13,382	1	440			2,156
Restricted for:							
Purpose of fund		162,273	502,292	17,614	320,026	1,050,889	1,152,059
Purpose of utility user tax	67,830						
Grand Avenue project	4,600						
Sheriff Pitchess landfill	2,976						
La Alameda project	2,000						
Capital projects							59,457
Debt service							371,022
Endowments and annuities							113
Total Restricted	77,406	162,273	502,292	17,614	320,026	1,050,889	1,582,651
Committed to:							
Purpose of fund							46,146
Capital projects and extraordinary maintenance	143,391						76,233
Health services-tobacco settlement	92,588						
Budget uncertainties	104,506						
Consolidated correctional treatment facility debt service	92,117						
Office of Diversion and Re-Entry Permanent Supportive Housing	80,084						
Assessor tax system	6,627						
Health services operations	16,000						
Interoperable and countywide communication	922						
Services to unincorporated areas	4,015						
Financial system	9,050						
Department of children and family services	8,840						
Health services future financial requirements	6,363						

21. FUND BALANCES-Continued

	General Fund	Fire Protection District	Flood Control District	County Library	Regional Park and Open Space District	Mental Health Services Act	Nonmajor Government Funds
Affordable Housing	$ 558						
Public works-permit tracking system	3,625						
TTC remittance processing and mailroom equipment	8,400						
Information technology enhancements	97,317						
Live scan	2,000						
Board budget policies and priorities	27,998						
TTC unsecured property tax system	463						
Sheriff unincorporated patrol	90						
Total Committed	704,954						122,379
Assigned to:							
Purpose of fund			99	59,359			122,006
Future purchases	478,647						
Capital projects							39,122
Imprest cash	1,418						
Total Assigned	480,065		99	59,359			161,128
Unassigned	2,495,876						
Total Fund Balances	$3,895,191	175,655	502,392	77,413	320,026	1,050,889	1,868,314

Reserve for "Rainy Day" Fund

On June 22, 2009, the Board established a Reserve for "Rainy Day" fund. The Reserve for "Rainy Day" fund was established and maintained to protect essential County programs against unforeseen emergencies and economic downturns. The Reserve cap should be 10.00% of on-going locally generated revenue. Transfers, at a minimum of ten percent (10.00%) of excess fund balance, less Board approved carryovers, will be set aside in the Rainy Day Fund and/or OPEB trust fund each year until the 10.00% cap is met. Excess fund balance is defined as the difference between the actual year-end fund balance amount as determined by the Auditor-Controller, less the estimated fund balance amount included in the Adopted Budget. Board approved carryover is defined as unspent funding that was previously approved by the Board for critical programs and/or uncompleted projects.

When the Reserve cap of 10.00% is reached, the annual 10.00% of excess fund balance amount should be deposited into the OPEB trust fund to be made available for unfunded retiree health obligations. The objective is to avoid on-going commitments with funding that may not be sustainable in an economic downturn.

The County's "Rainy-Day" fund does not meet the criteria for a stabilization arrangement for reporting the funds as either restricted or committed. As such, the Reserve for "Rainy Day" funds in the amount of $478.06 million is reported as unassigned fund balance in the General Fund.

22. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes (TRANS)

On July 2, 2018, the County issued $700,000,000 in 2018-2019 TRANS, which will mature on June 28, 2019. The TRANS are collateralized by taxes and other revenues attributable to the 2018-2019 fiscal year and were issued in the form of Fixed Rate Notes at an effective interest rate of 1.55%.

Los Angeles County Facilities Inc. (LACF) Lease Revenue Bonds Series 2018A and 2018B

LACF is a California nonprofit pubic benefit corporation and an organization described under Section 501(c)(3) of the Internal revenue Code of 1986. It was formed on April 28, 2016. On July 26, 2018, LACF issued $302,380,000 of lease revenue bonds, which includes $297,280,000 in tax-exempt lease revenue bonds (Series 2018A), maturing from 2023-2051, with yields ranging from 1.78% to 3.51%, and $5,100,000 in federally taxable lease revenue bonds (2018B), maturing in 2022, with a yield of 3.25%. Proceeds from the sale of the bonds will be used to finance the construction of the Vermont Corridor County Administration Building and parking structure. LACF will be included as a blended component unit in the FY 2018-19 CAFR.

Lease Revenue Obligation Notes (LRON)

On October 9, 2018, the LACCAL issued an additional $7,000,000 in LRON with an indicative interest rate of 2.88%. On November 15, 2018, the LACCAL issued an additional $20,000,000 in LRON with an indicative interest rate of 2.02%. After issuance, the interest rates are subject to change each month. The proceeds are being used to fund capital requirements of various capital projects. These LRON issuances are supported and secured by a revolving credit agreement and pledged County properties.

Medi-Cal Payments to Ineligible Beneficiaries

On October 30, 2018, the California State Auditor issued a report to the State Department of Health Care Services (SDHCS) that questioned California Medical Assistance Program (Medi-Cal) payments. The report covered the audit period from 2014 through 2017. The findings of $4.0 billion in Medi-Cal overpayments, including $2.1 billion related to Los Angeles County beneficiaries, primarily related to questionable payments made to ineligible beneficiaries during the four-year period, including those whose temporary eligibility status had expired. The State Auditor recommended that the SDHCS develop and implement a system to ensure timely resolution of any discrepancies between the State and counties. Additionally, in a letter dated November 19, 2018, the US Senate Committee on Homeland Security and Governmental Affairs has requested the Centers for Medicare and Medicaid Services (CMS) to review whether the federal government should seek refunds for the federal portions of potential overpayments and what actions CMS intends to take with respect to federal reimbursements. The financial impact, if any, in future years to the County has yet to be quantified with respect to this matter.

22. SUBSEQUENT EVENTS-Continued

Los Angeles County Flood Control District Parcel Tax (Measure W)

On November 6, 2018, Los Angeles County voters approved the Los Angeles County Flood Control District Parcel Tax (Measure W). Proceeds from the Tax will be used to fund projects and programs consistent with the expenditure plan in an ordinance ("Ordinance") amending the District Code establishing the Los Angeles Region, Safe, Clean Water Program. Projects include, but are not limited to; increasing stormwater capture and reducing urban runoff pollution which may increase water supply; improve water quality; and provide community investment benefits as defined in the Ordinance. Measure W is estimated to generate $300 million in annual revenue effective in FY 2019-20.

Woolsey Wildfire

In November 2018, a wind-driven wildfire known as the Woolsey Fire burned acreage located in both Ventura and Los Angeles Counties. According to the most recent CAL FIRE incident information reports, the Woolsey Fire burned 96,949 acres, destroyed an estimated 1,500 structures, and damaged an estimated 341 structures. The Federal Emergency Management Agency (FEMA) issued a Disaster Declaration for this fire on November 9, 2018. The financial impact in future years to the County has yet to be quantified with respect to this matter.

COUNTY OF LOS ANGELES
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Los Angeles County Employees Retirement Association
Schedule of the County's Proportionate Share of the Net Pension Liability and Related Ratios
Last 10 Fiscal Years[1,2]
(Dollar amounts in thousands)

	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Pension Plan's fiduciary net position as percentage of total pension liability	82.370%	81.749%	86.296%	86.804%
County's proportionate share of the collective net pension liability	$10,849,931	$10,272,671	$ 7,448,374	$ 6,957,082
County's proportion as percentage of the collective net pension liability	96.119%	96.170%	96.081%	95.897%
Covered payroll	$ 7,320,575	$ 6,986,004	$ 6,948,738	$ 6,672,228
County's proportionate share of the collective net pension liability as a percentage of its covered payroll	148.211%	147.046%	107.190%	104.269%

Schedule of County's Pension Contributions
Last 10 Fiscal Years[1,3]
(Dollar amounts in thousands)

	2018	2017	2016	2015
Actuarially Determined Contribution (ADC)	$1,466,411	$1,300,711	$ 1,389,628	$ 1,437,555
Less: Contributions in relation to the ADC	1,466,411	1,300,711	1,389,628	1,437,555
Contribution Deficiency (excess)	$ 0	$ 0	$ 0	$ 0
Covered payroll	$ 7,631,381	$ 7,320,575	$6,986,004[2]	$ 6,948,738
Contributions as a percentage of total covered payroll	19.216%	17.768%	19.892%	20.688%

(1) Historical information is required only for measurement periods for which GASB 68 is applicable. Eventually, 10 years of data will be shown.
(2) Reflects data as of the measurement date.
(3) Reflects data as of the reporting date.

Los Angeles County Employees Retirement Association
Notes to Required Supplementary Information

Changes of benefit terms

There were no plan changes after June 30, 2013.

Changes of assumptions

The following assumptions used to determine the Total Pension Liability have changed:

The Discount rate decreased from 7.63% as of the June 30, 2016 measurement date to 7.38% as of the June 30, 2017 measurement date, the inflation rate decreased from 3.00% to 2.75%, and the projected salary increases decreased from 3.50% to 3.25%.

There were no changes of assumptions in determining the ADC since FY 2014-15.

COUNTY OF LOS ANGELES
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Los Angeles County Employees Retirement Association
Schedule of the County's Proportionate Share of the Net RHC OPEB Liability
Last 10 Fiscal Years[1,2]
(Dollar amounts in thousands)

	6/30/2017
County's proportion as a percentage of the collective net OPEB liability	95.391%
County's proportionate share of the collective net OPEB liability	$ 25,249,103
Covered-employee payroll	$ 8,176,831
County's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	308.788%
Plan fiduciary net position as a percentage of the total OPEB liability	2.730%

Schedule of County's RHC OPEB Contributions
Last 10 Fiscal Years[1,3]
(Dollar amounts in thousands)

	2018
Actuarially Determined Contribution (ADC)	$ 1,901,000
Less: Contributions in relation to the ADC	559,076
Contribution Deficiency (excess)	$ 1,341,924
Covered-employee payroll	$ 8,571,345
Contributions as a percentage of total covered-employee payroll	6.523%

(1) Historical information is required only for measurement periods for which GASB 75 is applicable. Eventually, 10 years of data will be shown.
(2) Reflects data as of the measurement date.
(3) Reflects data as of the reporting date.

Los Angeles County Employees Retirement Association
Notes to Required Supplementary Information

Changes of benefit terms

None

Changes of assumptions

The Discount rate increased from 4.34% as of June 30, 2016 to 4.69% as of June 30, 2017.

The Investment rate of return decreased from 6.72% as of June 30, 2016 to 6.66% as of June 30, 2017.

COUNTY OF LOS ANGELES
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Schedule of Changes in the Total LTD OPEB Liability and Related Ratios
Last 10 Fiscal Years[1]
(Dollar amounts in thousands)

	6/30/2017
Total OPEB Liability	
Service Cost	$ 49,068
Interest	33,546
Changes of benefit terms	
Differences between expected and actual experience	589
Changes of assumptions or other inputs	(106,200)
Contributions	
Net Investment Income	
Benefit payments	(63,430)
Net Change in Total OPEB Liability	(86,427)
Total LTD OPEB Liability - beginning	1,159,467
Total LTD OPEB Liability - ending	$ 1,073,040
Covered-employee payroll	$ 8,571,345
Total LTD OPEB Liability as a percentage of covered-employee payroll	12.519%

Notes to schedule:
Changes of benefit terms: No changes to benefit terms

Changes of assumptions:
Changes of Assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

As of June 30, 2016	2.85%
As of June 30, 2017	3.58%

(1) Historical information is required only for measurement periods for which GASB 75 is applicable. Eventually, 10 years of data will be shown.

Total LTD OPEB Liability
Notes to Required Supplementary Information

Changes of benefit terms

None

Changes of assumptions

The Discount rate increased from 2.85% as of June 30, 2017 to 3.58% as of June 30, 2018.

No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4 to pay related benefits.

APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

COUNTY OF LOS ANGELES
CALIFORNIA

PROPOSED FORM OF BOND COUNSEL OPINION

Upon delivery of the Notes, Hawkins Delafield & Wood LLP, Bond Counsel to the County, proposes to render its final opinion in substantially the following form:

County of Los Angeles
Los Angeles, California

Ladies and Gentlemen:

We have acted as Bond Counsel to the County of Los Angeles, California (the "County") in connection with the issuance of its 2019-20 Tax and Revenue Anticipation Notes (the "Notes"), pursuant to and by authority of a resolution of the Board of Supervisors of the County duly passed and adopted on May 14, 2019 (the "Resolution") and the Financing Certificate Providing for the Terms and Conditions of Issuance and Sale of County of Los Angeles 2019-20 Tax and Revenue Anticipation Notes dated the date hereof (the "Financing Certificate"), and under and by the authority of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 of the California Government Code.

In such connection, we have examined the Resolution, the Financing Certificate, certain estimates, expectations and assumptions made by or on behalf of the County, originals, or copies identified to our satisfaction as being true copies, of such records and proceedings of the County and such other documents, including a certificate of the County relating to certain federal income tax matters (the "Tax Certificate"), and other matters deemed necessary to render the opinions set forth herein.

Based on the foregoing, we are of the opinion that:

1. The Notes constitute the valid and binding obligations of the County.

2. The Financing Certificate has been duly authorized, executed and delivered by and constitutes the valid and binding obligation of the County.

3. The Notes are payable solely from certain taxes, income, revenues, cash receipts and other moneys of the County for the fiscal year ending June 30, 2020 and lawfully available for the payment of the Notes, and the interest thereon, all as specified in the Resolution and the Financing Certificate.

4. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code.

5. Under existing statutes, interest on the Notes is exempt from present State of California personal income taxes.

The Code establishes certain requirements which must be met subsequent to the issuance of the Notes in order that interest on the Notes be and remain not included for Federal income tax purposes in gross income under Section 103 of the Code. On the date of issuance of the Notes, the County will execute a Tax Certificate containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the County covenants that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that interest on the Notes will, for Federal income tax purposes, be excluded from gross income. Noncompliance with such requirements may cause interest on the Notes to become subject to Federal income taxes retroactive to their date of delivery, irrespective of the date on which such noncompliance is ascertained.

In rendering the opinion in paragraph 4 hereof, we have relied upon and assumed the material accuracy of the County's representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of the interest on the Notes, and continuing compliance with the procedures and covenants set forth in the Tax Certificate as to such tax matters.

The foregoing opinions are qualified to the extent that the enforceability of the Notes, the Resolution and the Financing Certificate may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditor's rights or remedies and is subject to general principles of equity (regardless of whether such enforceability is considered in equity or at law), to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State of California.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Notes, or the ownership or disposition thereof, except as stated in paragraphs 4 and 5 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Notes.

Very truly yours,

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

COUNTY OF LOS ANGELES

CALIFORNIA

The information in this Appendix D concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book entry system has been obtained from DTC, and the County and the Underwriters take no responsibility for the completeness or accuracy thereof. The County and the Underwriters cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Notes, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Notes, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Notes, or that they will do so on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company, New York, NY, will act as securities depository for the Notes (the "Notes"). The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Notes, each in the aggregate principal amount of such maturity of such issue, and will be deposited with DTC.

2. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information on this website is not incorporated herein by reference.

3. Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

4. To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and other payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the County or its agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and other payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. If applicable, a Beneficial Owner shall give notice to elect to have its Notes purchased or tendered, through its Participant, to the County's designated agent, and shall effect delivery of such Notes by causing the Direct Participant to transfer the Participant's interest in the Notes, on DTC's records, to the County's designated agent. The requirement for physical delivery of Notes in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Notes are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Notes to the DTC account of the County's designated agent.

10. DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the County. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC and the requirements of the Resolution and Financing Certificate with respect to certificated Notes will apply.

12. The information in this Appendix D concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

NONE OF THE COUNTY OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF NOTES FOR REDEMPTION.

COUNTY OF LOS ANGELES
CALIFORNIA

APPENDIX E

FORM OF DISCLOSURE CERTIFICATE

COUNTY OF LOS ANGELES

CALIFORNIA

FORM OF DISCLOSURE CERTIFICATE

$700,000,000
COUNTY OF LOS ANGELES
2019-20 TAX AND REVENUE ANTICIPATION NOTES

DISCLOSURE CERTIFICATE

This Disclosure Certificate (this **"Disclosure Certificate"**) is executed and delivered by the County of Los Angeles (the **"County"**) in connection with the issuance of $700,000,000 aggregate principal amount of the County's 2019-20 Tax and Revenue Anticipation Notes (the **"2019-20 TRANs"**). The 2019-20 TRANs are being issued pursuant to a Resolution adopted by the County on May 14, 2019 (the **"Resolution"**), and a Financing Certificate executed by the Treasurer on July 1, 2019 (the **"Certificate"**). The County covenants and agrees as follows:

Section 1. __Purpose of this Disclosure Certificate__. This Disclosure Certificate is being executed and delivered by the County for the benefit of the Holders and Beneficial Owners of the 2019-20 TRANs and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the **"Rule"**).

Section 2. __Definitions__. In addition to the definitions set forth in the Certificate, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Beneficial Owner" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2019-20 TRANs (including persons holding 2019-20 TRANs through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2019-20 TRANs for federal income tax purposes.

"Commission" shall mean the U.S. Securities and Exchange Commission.

"Dissemination Agent" shall initially mean the County, or any successor Dissemination Agent designated in writing by the County and which has filed with the County a written acceptance of such designation.

"EMMA System" shall mean the MSRB's Electronic Municipal Market Access system.

"Financial Obligation" means "financial obligation" as such term is defined in the Rule.

"Holders" or **"Noteholders"** shall mean the registered owners of the 2019-20 TRANs.

"Listed Events" shall mean any of the events listed in Section 3(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate.

"Participating Underwriters" shall mean any of the original underwriters of the 2019-20 TRANs required to comply with the Rule in connection with offering of the 2019-20 TRANs.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

Section 3. <u>Reporting of Listed Events</u>.

(a) Pursuant to the provisions of this Section 3, the County shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the 2019-20 TRANs:

1. principal and interest payment delinquencies;

2. non-payment related defaults, if material;

3. unscheduled draws on debt service reserves reflecting financial difficulties of the County;

4. unscheduled draws on any credit enhancement reflecting financial difficulties of the County;

5. substitution of credit or liquidity providers or failure of a credit or liquidity provider to perform its obligations with respect to the 2019-20 TRANs;

6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the 2019-20 TRANs, or other material events affecting the tax status of the 2019-20 TRANs;

7. modifications to rights of Noteholders, if material;

8. redemption or call of the 2019-20 TRANs, if material, and tender offers;

9. defeasances;

10. release, substitution or sale of property securing repayment of the 2019-20 TRANs, if material;

11. rating changes;

12. bankruptcy, insolvency, receivership or similar event of the County; *provided* that for the purposes of the events described in this clause, such an event is considered to occur upon: the appointment of a receiver, fiscal agent or similar officer for the County in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court

or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County;

13. the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. appointment of a successor or additional trustee or the change of name of the trustee, if material;

15. incurrence of a Financial Obligation of the County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the County, any of which affect security holders, if material; and

16. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the County, any of which reflect financial difficulties.

Certain of the foregoing events may not be applicable to the 2019-20 TRANs.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall file a notice of such occurrence not later than ten (10) business days after such occurrence with the MSRB through its EMMA System.

Section 4. **<u>Termination of Reporting Obligation</u>**. The County's obligations under this Disclosure Certificate shall terminate upon the payment in full of all the 2019-20 TRANs. If such termination occurs prior to the final maturity of the 2019-20 TRANs, the County shall give notice of such termination in the same manner as for a Listed Event under Section 3(a).

Section 5. **<u>Dissemination Agent</u>**. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent, if other than the County, shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate.

Section 6. **<u>Amendment; Waiver</u>**. Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the 2019-20 TRANs, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the 2019-20 TRANs, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the 2019-20 TRANs in the same manner as provided in the Resolution and the Certificate for amendments to the Resolution and the Certificate with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the 2019-20 TRANs.

Section 7. **Additional Information**. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

Section 8. **Default**. In the event of a failure of the County to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the 2019-20 TRANs may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in the Superior Court of the State of California in and for the County of Los Angeles or in a U.S. District Court in or nearest to Los Angeles County. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution or the Certificate, and the sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance.

Section 9. **Duties, Immunities and Liabilities of Dissemination Agent**. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the County agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2019-20 TRANs.

Section 10. **Beneficiaries**. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the 2019-20 TRANs, and shall create no rights in any other person or entity.

DATED: July 1, 2019

COUNTY OF LOS ANGELES, CALIFORNIA

By: ______________________________

JOSEPH KELLY
Treasurer and Tax Collector

COUNTY OF LOS ANGELES • 2019-20 TAX AND REVENUE ANTICIPATION NOTES

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